

STERLING SPINNERS LTD.



**FIFTEENTH
ANNUAL REPORT
2008 - 2009**

BOARD OF DIRECTORS

1. **Mr. K.S. VENUGOPALA** Chairman-Cum-Managing Director
2. **Mr. K. ALAGIRISWAMI** Director
2. **Mr. R. VIJAYKUMAR** Director

AUDITORS

S. DHANYAKUMAR & CO.,
5, South Boag Road, Thyagaraya Nagar,
Chennai - 600 017.

REGISTERED OFFICE

New No. 4, (Old No. 377/2), S.N. Street,
Tollgate,
Chennai - 600 081.

SPINNING MILL

Pa Pudupatti (P.O.),
Vedasandur Taluk,
Dindigul - 624 005.

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FIFTEENTH ANNUAL REPORT
&
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31st March, 2009

NOTICE TO THE SHARE HOLDERS

NOTICE is hereby given that the **Fifteenth Annual General Meeting** of Members of **M/s. STERLING SPINNERS LTD., CHENNAI** will be held at the Registered Office of the Company at New No. 4 (Old No.377/2) Suryanarayana Street, Chennai-600 081 on **SATURDAY** the **26th SEPTEMBER 2009** at **10.30 A.M.** to transact the following business:

AGENDA

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.2009 and Profit and Loss Account of the Company for the year ended 31st March, 2009 and the Report of the Auditor's and Director's thereon.

To consider and if thought fit to pass with or without modification the following resolutions as Ordinary Resolutions.

2. "RESOLVED that Sri. R. Vijaykumar, Director who retires by rotation and who being eligible offers himself for re-appointment, be and is hereby appointed as Director of the Company who shall be liable to retire by way of rotation".
3. "RESOLVED that M/s.S.Dhanyakumar & Co., Chartered Accountants, Chennai retiring Auditors be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the Sixteenth Annual General Meeting of the Company on a remuneration of Rs.20,000/- (Rupees Twenty thousand only)".

"BY ORDER OF THE BOARD"

For **STERLING SPINNERS LTD**
(K.S.VENUGOPALA)

CHAIRMAN-CUM-
MANAGING DIRECTOR

Place : Chennai
Date : 22.06.2009

NOTES:

- A.1. **A MEMBER IS ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The proxy form must be lodged at the Registered Office of the Company at least 48 hours before the time of the Meeting.
3. The Register of Members and Share Transfer Books will remain closed from **Thursday the 24th September, 2009 to Monday the 28th September, 2009.** (both days inclusive).
4. Nomination facility is available to every shareholder under Section 109A of the Companies Act, 1956.
- B.1. Members are requested to notify immediately any change in their address, to our Registered Office of the Company New No. 4, (Old No.377/2) Suryanarayana Street, Tollgate, Chennai-600 081.
2. Shareholders seeking any information with regard to accounts are requested to write to the Registered Office of the Company at an early date so as to enable the Management to keep the information ready.
3. Members/Proxies should bring the attendance slip for attending the meeting.
4. Shareholders are requested to bring the copy of the Annual Report for the meeting.

DIRECTORS REPORT

Your Directors have pleasure in presenting the **Fifteenth Annual Report** together with the Audited Accounts of the Company for the year ended **31st March, 2009**.

1. OPERATING RESULTS:

	Current Year	Previous Year
	(Rs. in lakhs)	
Net Sales / Income from Operations	-	175.49
Other Income	53.16	8.28
	<u>53.16</u>	<u>183.77</u>
Total Expenditure	17.00	215.88
Interest	359.03	297.60
Gross Profit/(Loss) after Interest but before Depreciation and Taxation	(322.87)	(329.71)
Depreciation	75.66	75.66
Income Tax for Earlier year written off	0.15	0.28
Net Profit/(Loss)	(398.68)	(405.65)

Your Directors report that the Net Loss of the Company for the year under report is Rs.398.68 lakhs as against Net Loss of Rs.405.65 Lakhs of previous year. Your Directors have to report that the Mill is not functioning with effect from 03.11.2007 due to disconnection of power supply by TNEB.

2. DIVIDEND:

The Directors do not recommend any dividend for the year under review.

3. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Sri. R.Vijaykumar, Director will retire by rotation and being eligible offers himself for re-appointment.

4. AUDITORS' OBSERVATION ON ACCOUNTS:

- a) In respect of qualification made by Auditors under Clause 4 (a) (i) of Auditor's Report, the Company has made a reference before BIFR on 28.05.2001 and the Company has been declared as Sick Industrial Company by the BIFR on 6.5.2003. The rehabilitation package has yet to be approved. The accounts have been prepared on a going concern basis.
- b) In respect of qualification made by Auditors under Clause 4 (a) (ii) of Auditor's Report, the comments are self-explanatory. Further the Company is taking steps to reach One Time Settlement with M/s.SIPCOT and M/s.TIIC also.
- c) In respect of qualification made by the Auditors under Clause 4 (a) (iii), the Company will take steps to obtain remaining confirmation letters for balances of Loans and Advances, Sundry Debtors and Sundry Creditors.
- d) In respect of comments made by the Auditors under clause ix (c), (x) and (xi) of the Annexure to the Auditor's Report, no explanation has been offered since the same are self explanatory.

5. AUDIT COMMITTEE:

An Audit Committee of the Board of Directors has been constituted as per Section 292A of the Companies Act, 1956. The Committee comprises of Sri.R. Vijaykumar, Director, Sri.K.Alagiriswami, Director and Sri.K.S.Venugopala, Chairman-cum-Managing Director with Sri.R. Vijaykumar as its Chairman.

The role, terms of reference and the authority and powers of the Audit Committee are in conformity with the requirements of the Companies Act, 1956.

6. SHAREHOLDERS / INVESTORS' GRIEVANCES COMMITTEE:

The Shareholders / Investors' Grievances Committee was constituted with Mr.K.Alagiriswami as Chairman, Mr.R.Vijaykumar as Member and Mr.K.S.Venugopala as Member and Compliance Officer.

The scope of the Committee is to look into the Shareholders/Investors' Complaints / Grievances relating to transfer of shares, non-receipt of Balance Sheet and issue of Duplicate Share Certificates. In addition, the Board shall also from time to time to provide requisite guidelines / scope of work for the Grievance Committee and the Committee will discharge such other functions as are required under the provisions of the Listing Agreement and Companies Act, 1956.

The Committee met twice during the year under review – on 23rd July, 2008 and 23rd January 2009 to review the status of complaints from the Shareholders / Investors and the redressal measures taken by the Company.

The following table shows the nature of complaints received from the Shareholders during the year 2008-2009.

<u>Nature of Complaints</u>	<u>No. of Complaints</u>
Non-receipt of shares sent for transfer/transmission	-
Non-receipt of Balance Sheet	-
Others	-
Total	Nil

The above shows that complaints received were 'Nil' and Pending Complaints were 'Nil'.

Both the above meetings were attended by all the members of the Grievance Committee.

7. MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE:

A report on Management Discussion and Analysis and a Status report on the compliance of Corporate Governance are annexed and form part of the Annual Report.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of Section 217 (2AA) of the Companies Act, 1956, your Directors declare:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year;

Sterling Spinners Ltd.,

- iii) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) that they have prepared the annual accounts on a 'going concern' basis.

9. AUDITORS:

M/s. S. Dhanyakumar & Co., Chartered Accountants will retire as Auditors at the ensuing Annual General Meeting and are eligible for re-appointment.

10. PARTICULARS OF EMPLOYEES:

In terms of the requirement of Section, 217 (2A) of the Companies Act, 1956 No employee was in receipt of remuneration of Rs.24,00,000/- per annum or Rs.2,00,000/- per month during the year ended 31st March, 2009.

11. INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956:

Particulars required under Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988:

A. CONSERVATION OF ENERGY:

1) POWER AND FUEL CONSUMPTION	2008-2009	2007-2008
(i) ELECTRICITY PURCHASED		
Units	Nil	21.48 Lakhs
Total Amount	Nil	Rs.106.25 Lakhs
Rate/Unit	Nil	Rs. 4.83
(ii) OWN GENERATION THROUGH DIESEL GENERATION:		
Units	Nil	0.09 Lakhs
Total Amount	Nil	Rs.1.15 Lakhs
Rate/Unit	Nil	Rs.12.74
2) a) Consumption per Kg. of Production	Nil	3.82 per Unit
b) Cost of Consumption per Kg. of Production	Nil	Rs.16.59

B. TECHNOLOGY ABSORPTION: Not Applicable.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year under review, there is neither Foreign Exchange Earnings nor outgo.

12. ACKNOWLEDGEMENT:

Your Directors wish to place on record their gratitude to the Central and State Governments, M/s. State Industries Promotion Corporation of Tamilnadu Limited, M/s. Tamil Nadu Industrial Investment Corporation Limited, Suppliers, Dealers and the Share holders for their continued co-operation and support.

On behalf of the Board of Directors
For STERLING SPINNERS LTD.,

K.S. VENUGOPALA
Chairman-cum-Managing Director

Place : Chennai
Date : 22.06.2009

ANNEXURE TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

The Company has become a Sick Industrial Company within the meaning of (Clause 'O') of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. The company has made a reference before BIFR on 28.05.2001 and the company has been declared as Sick Industrial Company by the BIFR on 6.5.2003. Consequent to the disconnection of Power supply by TNEB on 03.11.2007, the Mill is not functioning.

OUTLOOK:

No rehabilitation proposal has been formulated. The management is trying for a viable OTS scheme with Financial Institutions, M/s. SIPCOT and M/s. TIIC in order to revive the Company.

Risk and Concerns:

Fluctuations in the raw material prices will directly affect the cost of production.

Internal Control Systems:

The Company has constituted an Audit Committee, which looks into the aspects of internal control systems and ensures that all is well with the systems in vogue.

Financial and Operational Performance:

The financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and applicable Accounting standards issued by the Institute of Chartered Accountants of India. The Management accepts the integrity and objectivity of these financial statements as well as various estimates and judgments as used therein. The estimates and judgments relating to the financial statements reflect in a true and fair manner, the form of transactions amount reasonably present the Company's state of affairs and loss for the year. There was no operational performance, since the mill is not functioning.

Human Resources and Industrial Relations:

The employee relations, by and large were cordial.

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on code of Governance:

Company firmly believes in and it has consistently practiced good corporate governance for conduct of its business and permitting its obligations towards all its share holders.

I. BOARD OF DIRECTORS:

The Company has a Chairman-cum-Managing Director with two other independent Directors. The number of independent Directors is more than fifty percent of the total number of Directors. The number of Non-Executive Directors is more than 50% of the total number of Directors.

None of the Directors on the board is a member on more than Ten Companies and Chairman of more than 5 committees, across all the companies in which he is a Director. The necessary disclosures regarding committee position have been made by the Directors.

Sterling Spinners Ltd.,

II) BOARD MEETING:

The Board of Directors formulates the business and operational policies and decides on strategic issues concerning the company. The Board of Directors generally meets as and when situation so demand to review the business performance.

During the year under review 7 meetings of the Board of Directors were held.

2008	2009
06.04.2008	30.01.2009
12.05.2008	16.02.2009
26.06.2008	
28.07.2008	
30.10.2008	

The details of attendance at Board Meetings and details of other directorship committee chairmanship/membership held by the Directors during the period from April 2008 to March 31, 2009 are as follows :

Name of the Director	Board Meetings Attended	Directorships (other than M/s.Sterling Spinners Ltd.)	Committees in which / Chairman / member (other than M/s.Sterling Spinners Ltd.)		Attendance in the 14th Annual General Meeting held on 29.9.08
			Chairman	Member	
Sri K.S. Venugopala	7	1	-	1	Yes
Sri. K.Alagiriswami	7	-	-	-	No
Sri. R.Vijaykumar	7	-	-	-	No

III. AUDIT COMMITTEE:

Composition of the Audit Committee is as follows:

Name of the Directors:

- Sri. R. Vijaykumar : Chairman
- Sri.K.S. Venugopala : Director
- Sri. K.Alagiriswami : Director

The Audit Committee reviews the financial accounts / Policies, adequacy of Internal Control Systems and interacts with the Statutory Auditors. The relevant functionaries of the Company are invited to all the committee meetings. Besides, the committee reviews the audit plans, audited and un-audited financial results, observations of external auditors and follow up with the management.

During the year the committee met 4 times on 15th May 08, 25th August, 08, 26th December, 08 and 28th January in 2009. All the members attended all the committee meetings.

IV. REMUNERATION COMMITTEE:

Since the Board of Director of the Company consist of Three Directors, the remuneration committee of the Company comprise of Two Independent Directors.

- 1) Sri. K. Alagiriswami – Chairman
- 2) Sri. R. Vijaykumar - Director

V. REMUNERATION OF DIRECTORS:

The Company has applied for Central Government for its approval for payment of remuneration to Chairman-cum-Managing Director w.e.f. 1.9.2005 and awaits for its approval. Hence remuneration was not paid during the year under report.

VI. The Company has a Share Transfer Committee in place which comprises Sri. R.Vijaykumar, Chairman and Sri.K.S.Venugopala, Sri.K.Alagiriswami as members.

VII) COMMITTEE OF BOARD OF DIRECTORS:

Composition of the share transfer committee for approval of share transfers are as follows:

Name of the Directors:

Sri.R.Vijaykumar : Chairman
Sri.K.S. Venugopala : Director
Sri.K. Alagiriswami : Director

The share transfer committee formed under Clause 49 of the Listing Agreement approves and monitors transfers and transmission of shares of the Company. The committee also reviews the compliance with various statutory and regularity requirements.

During 2008 – 2009 the committee met one time on 30th March, 2009. All the members attended the committee meeting.

VIII) GENERAL BODY MEETINGS:

Time and location of Last three Annual General Meetings

Year	Date	Time	Location
2008	29.09.2008	10.15 A.M.	New No.4 (Old No.377/2) Suryanarayana Street, Tollgate Chennai - 600 081.
2007	27.09.2007	10.00 A.M.	New No.4 (Old No.377/2) Suryanarayana Street, Tollgate Chennai - 600 081.
2006	29.09.2006	10.00 A.M.	New No.4 (Old No.377/2) Suryanarayana Street, Tollgate Chennai - 600 081.

No Special Resolutions was put through postal ballot last year.

IX) DISCLOSURES:

There are no materially significant transactions with related parties i.e., Promoters, Directors or the management and companies under the same management conflicting with the Company's interest.

X) CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGERIAL PERSONNEL:

Board as adopted the code of conduct for Directors and Senior Management personnel to ensure conditional conduct for performance of their duties. The code has been activated to all the Directors and senior management personnel and they have affirmed the compliance of the same.

XI) MEANS OF COMMUNICATIONS:

Quarterly un-audited results of the Company were sent to Madras and Bombay Stock Exchanges. The annual audited results of the Company were published in "Trinity Mirror"(English) and "Makkal Kural"(Tamil).

XII) GENERAL SHAREHOLDER'S INFORMATION WITH REGARD TO NEXT ANNUAL GENERAL MEETING:

Date	Time	Location
26.09.2009	11.00 A.M.	New No.4, S.N. Street, Tollgate, Chennai - 600 081.

XIII) UNIT LOCATION:

- a) Pa Pudupatti (P.O.)
Vedasandur Taluk
Dindigul - 624 005.

XIV) Address for Investor Correspondence : New No.4, (Old No.377/2) S.N. Street,
Tollgate, Chennai - 600 081.

Financial Calenders: 2009-2010

Financial Reporting:

For the quarter ending June 30, 2009	: July, 2009
For the quarter ending September 30, 2009	: October, 2009
For the quarter ending December 31, 2009	: January, 2010
For the quarter ending March 31, 2010	: May / June 2010
Annual General Meeting for 2009-2010	: September, 2010

- ✦ The Company's shares are listed on the Bombay Stock Exchange and Madras Stock Exchange Limited.
- ✦ The Company has not paid the listing fees of Rs.21,000/- for the financial year 2008-2009 to the Madras Stock Exchange Limited.
- ✦ The Company has not paid Listing Fees and interest amounting to Rs.1,39,970/- payable for the financial year 2002-2003 to 2008-2009 to Bombay Stock Exchange.
- ✦ MSE stock code STR SPN 31628
MSE stock code SSPS / RSE – MADRAS

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**S. DHANYAKUMAR & Co.,
CHARTERED ACCOUNTANTS**

**Phone No : 24341189
5, SOUTH BOAG ROAD,
T. NAGAR,
CHENNAI - 600 017.**

Auditor's Certificate regarding compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchange.

To the Members of Sterling Spinners Ltd.

We have reviewed the compliance of conditions of Corporate Governance by M/s. Sterling Spinners Ltd., for the year ended 31st March, 2009 as stipulated in Clause 49 of the Listing Agreement of the said company with Madras Stock Exchange Limited and Bombay Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the company for ensuing compliance with the conditions of the compliance of Corporate Governance as stipulated in the said clause. It is neither an audit nor expression of opinion on the financial statements of the company.

No investor grievances are against the company as per the records maintained by the company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further share that such compliance is neither an assurance as to the further viability of the company nor of the efficiency or effectiveness with which the management has conducted the affairs of the company.

**Place: Chennai
Date: 08.05.2009**

For S. DHANYAKUMAR & CO.,
Chartered Accountants

D. SAMPATH KUMAR
Proprietor
M. No. 3483

AUDITOR'S REPORT

To

**The Shareholders of
M/s. STERLING SPINNERS LTD.**

1. We have audited the attached Balance Sheet of M/s Sterling Spinners Ltd, Chennai as at 31st March, 2009, the Profit and Loss Account on that date and also Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above we report that:
 - a) i. **The Company's net worth has eroded due to losses and the Company has become a Sick Industrial Company within the meaning of (Clause 'O') of Sub Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act 1985. The Company has made a reference before BIFR on 28.05.2001 and the Company has been declared as Sick Industrial Company by the BIFR on 06.05.2003. The rehabilitation package is still not formulated. Last year the Company has stopped operations in its Plant. Despite erosion of net worth the accounts have been prepared on a going concern basis.**
 - ii. **The Company has not made any repayment of principal and Interest to M/s. SIPCOT amounting to Rs.1,976.32 lakhs. This amount includes Interest of Rs.333.64 lakhs charged during the year. The company has failed to make payment of Rs.244.31 lacs to M/s. TIIC as per OTS reached. An interest of Rs.25.92 lacs has been charged during the year. Total dues to M/s.TIIC is Rs.270.23 lacs.**
 - iii. **Some of the balances of Loans and Advances, Sundry Debtors and Sundry Creditors are subject to confirmation.**

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- b) Subject to our comments above, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- c) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- d) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- e) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
- f) On the basis of written representation received from the Directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;
- g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2009;
 - ii. In the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
 - iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on the date.

Place: Chennai
Date: 08.05.2009

For **S. DHANYAKUMAR & CO.,**
Chartered Accountants

D. SAMPATH KUMAR
Proprietor
M. No. 3483

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our Report of even date

- i. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) All the assets have been physically verified by the Management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) During the year, the Company has not disposed off any fixed assets.
- ii. a) The inventory have been physically verified by the Management. In our opinion, the frequency of verification is reasonable.
- b) The procedures for physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the books records were not material.
- iii. a) The Company has taken loan from one party covered in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.331.82 lakhs. The year end balance of loan was Rs.331.82 Lakhs.
- b) In our opinion, the rate of Interest and other terms and conditions on which loan has been taken from the party covered in the Register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- c) The company is regular in repaying the Principal Amount as stipulated and no interest has been paid as it is waived by him.
- d) There is no overdue amount of Loan taken from the party covered in the Register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
- v. a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts and arrangements referred to in Section 301 of the Companies Act 1956 have been entered in the register required to be maintained under that Section.

- b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, have been made at prices that are reasonable having regard to prevailing market prices at the relevant time.
- vi. In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits from the Public and consequently the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. Since the Company has stopped operations in the plant, reporting under Clause 4 (viii) of the Companies' (Auditor's Report) Order, 2003 does not arise.
- ix. a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor education protection fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Excise Duty and Cess were in arrears, as at 31st March, 2009 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, except the following there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited on account of any dispute.

Name of the State Act	Nature of Dues	Amount Rs.	Period to which the amount relates	Forum where dispute is pending
P.F. ACT	P. F. Dues	Rs. 2.95 lakhs	22.09.97 to 05.07.99	Madras High Court
E.S.I. ACT	ESI Dues	Rs.35.55 lakhs	04.09.2003	Madras High Court

- x. In our opinion, the accumulated losses of the Company are more than fifty percent of its networth and the Company has incurred cash losses during the financial year, covered by our audit and also in the immediately preceding financial year. The company has been declared as Sick Industrial Company by the BIFR on 06.05.03.
- xi. In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of dues to Financial Institutions as detailed below.

Sterling Spinners Ltd.,

Name of the Financial Institution	Rs. in Lakhs			Total
	Principial	Funded Interest	interest including penal interest	
A. TERM LOAN:				
M/s. SIPCOT	300.00	333.64	1,342.68	1976.32
M/s. TIIC (Under OTS)	218.32	-	51.91	270.23
Total	518.32	333.64	1394.59	2246.55

- xii. In our opinion and according to information and explanations given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, Securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The Company has not raised any fresh Term Loan during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. According to the information and explanation given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any debentures.
- xx. The Company has not raised any money by public issues during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

Place: Chennai

Date: 08.05.2009

For **S. DHANYAKUMAR & CO.,**
Chartered Accountants

D. SAMPATH KUMAR
Proprietor
M. No. 3483

15th Annual Report 2008 - 2009

BALANCE SHEET AS AT 31ST MARCH, 2009.

	Sch.No.	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	1	70000000	70000000
Reserves & Surplus	2	315000	315000
LOAN FUNDS			
Secured Loans	3	224655424	188756110
Unsecured Loans	4	52487139	51514749
TOTAL		<u>347457563</u>	<u>310585859</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	5	159703180	159703180
Less: Depreciation		91160140	83593696
Net Block	A	<u>68543040</u>	<u>76109484</u>
INVESTMENTS	B	-	-
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	6	501112	501112
Sundry debtors	7	55550	61927
Cash & bank balances	8	50278	49030
Loans & Advances	9	12183555	12132560
		<u>12790495</u>	<u>12744629</u>
Less: Current liabilities & provisions	10	19404275	23928517
NET CURRENT ASSETS	C	<u>(6613780)</u>	<u>(11183888)</u>
Miscellaneous Expenditures to the extent not written off or adjusted		-	-
PROFIT & LOSS ACCOUNT	11	285528303	245660263
	D	<u>285528303</u>	<u>245660263</u>
TOTAL	A+B+C+D	<u>347457563</u>	<u>310585859</u>

Notes on Accounts:

The Schedules referred to above form an integral part of the Balance Sheet.

Place: Chennai
Date: 08.05.2009

K.S. VENUGOPALA
CHAIRMAN-CUM-
MANAGING DIRECTOR

R. VIJAYKUMAR
DIRECTOR

As per our report attached
For **S. DHANYAKUMAR & CO.,**
CHARTERED ACCOUNTANTS

D. SAMPATHKUMAR
PROPRIETOR
M No. 3483

Sterling Spinners Ltd.,

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st March, 2009.

	Sch.No.	For the year ended 31.03.2009 Rs.	For the year ended 31.03.2008 Rs.
INCOME			
Sales	12	-	5317020
Other Income	13	5315616	13059838
TOTAL		5315616	18376858
EXPENDITURE			
Decrease/(Increase) in Stocks	14	-	1049206
Raw material consumed	15	-	3192756
Manufacturing expenses	16	722971	14816288
Payment & benefits to Employees	17	358367	1394843
Administrative expenses	18	618387	906544
Selling expenses	19	-	228353
Financial charges	20	35902391	29759786
Depreciation	5	7566442	7566442
TOTAL		45168558	58914218
Profit/(Loss) Before Taxation		(39852942)	(40537360)
Less: Provision for Fringe Benefit Tax		11130	27790
Less: Earlier Year provision for Fringe Benefit Tax		3968	-
Profit/(Loss) after appropriation		(39868040)	(40565150)
Add: Balance Brought forward		(245660263)	(205095113)
Balance Carried to Balance sheet		(285528303)	(245660263)
Earning per Share in Rs.(Annualised)			
Basic/diluted earning per share (in Rs.)		(5.69)	(5.80)
Nominal Value of Equity Share (in Rs.)		10.00	10.00

Notes on Accounts: 21

The Schedules referred to above form an integral part of the Profit and Loss Account.

Place: Chennai

Date: 08.05.2009

K.S. VENUGOPALA
CHAIRMAN-CUM-
MANAGING DIRECTOR

R. VIJAYKUMAR
DIRECTOR

As per our report attached
For **S. DHANYAKUMAR & CO.,**
CHARTERED ACCOUNTANTS

D. SAMPATHKUMAR
PROPRIETOR
M. No. 3483

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2009	As at 31.03.2008
	Rs.	Rs.
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
100,00,000 Equity shares of Rs.10/-each	100000000	100000000
1,50,000 Preference shares of Rs.100/- each	15000000	15000000
	<u>115000000</u>	<u>115000000</u>
Issued, Subscribed & paid up		
70,00,000 Equity shares of Rs.10/- each	70000000	70000000
TOTAL	<u>70000000</u>	<u>70000000</u>
SCHEDULE - 2		
RESERVES AND SURPLUS		
Employment of women workers subsidy from SIPCOT	315000	315000
TOTAL	<u>315000</u>	<u>315000</u>
SCHEDULE - 3		
SECURED LOANS :		
A: TERM LOANS :		
i) SIPCOT		
Principal	30000000	30000000
Interest accrued and due	147904331	114597017
Funded Interest	<u>19727521</u>	<u>19727521</u>
	197631852	164324538
ii) TIIC OTS		
OTSAmount	24431572	24431572
Add: Interest on OTS amount	<u>27023572</u>	
TOTAL	<u>224655424</u>	<u>188756110</u>
SCHEDULE - 4		
UNSECURED LOANS :		
Sales Tax Deferment Loan from Govt.of Tamilnadu	19305155	19305155
Advance from promoters	33181984	32209594
TOTAL	<u>52487139</u>	<u>51514749</u>

SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE-5

FIXED ASSETS :

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.08	Additions	Deductions	As on 31.03.2009	Upto 31.03.08	For the year	Adjusted on sales	Total	As on 31.03.2009	As on 31.03.2008
Land	1247689	-	-	1247689	-	-	-	-	1247689	1247689
Land development	705200	-	-	705200	-	-	-	-	705200	705200
Buildings	39109413	-	-	39109413	14931715	1306254	-	16237969	22871443	24177697
Plant & machinery	117088585	-	-	117088585	67739853	6182278	-	73922131	43166454	49348733
Furniture & Fixtures	225926	-	-	225926	148798	14075	-	162873	63053	77128
Office Equipment	1308824	-	-	1308824	765520	62169	-	827689	481135	543304
Vehicles	17543	-	-	17543	7811	1666	-	9477	8066	9733
Total Rs.	159703180	-	-	159703180	83593697	7566442	-	91160139	68543040	76109484

Previous Year 159703180 - - 159703180 76027255 7566442 - 83593696 76109484 83675924

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
SCHEDULE -6		
INVENTORIES		
(As per inventories taken, valued and certified by the management)		
Stores and spares	501112	501112
TOTAL	<u>501112</u>	<u>501112</u>
SCHEDULE -7		
SUNDRY DEBTORS		
(Unsecured and considered good)		
Due over six months	-	-
others	55550	61927
TOTAL	<u>55550</u>	<u>61927</u>
SCHEDULE-8		
CASH AND BANK BALANCE		
Cash on Hand	17003	12862
With scheduled banks:		
In current accounts	33275	36168
TOTAL	<u>50278</u>	<u>49030</u>
SCHEDULE-9		
LOANS AND ADVANCES :		
(Unsecured and considered good)		
(Advances recoverable in cash or in kind or for value to be received)		
ADVANCES :		
For others	46022	40703
Pre-paid expenses	52795	64820
Interest accrued on deposit	697069	697069
Income tax & TDS	569216	506196
Deposit with govt. departments	10818453	10823772
TOTAL	<u>12183555</u>	<u>12132560</u>
SCHEDULE-10		
CURRENT LIABILITIES AND PROVISIONS		
Other liabilities	6163543	5532805
Sundry creditors	6238055	11513035
Advances received from customers	7002677	6882677
TOTAL	<u>19404275</u>	<u>23928517</u>
SCHEDULE-11		
PROFIT & LOSS ACCOUNT		
as per last balance sheet	245660263	205095113
Add: for the year	<u>39868040</u>	<u>40565150</u>
TOTAL	<u>285528303</u>	<u>245660263</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
SCHEDULE-12		
SALES		
Yarn	-	5300353
Waste	-	16667
TOTAL	<u>0</u>	<u>5317020</u>
SCHEDULE-13		
OTHER INCOME		
Conversion charges	-	12231696
Write Back	4735379	473601
Rental Income	580237	71585
Misc. Income	-	2721
Interest Income	-	280235
TOTAL	<u>5315616</u>	<u>13059838</u>
SCHEDULE-14		
Decrease/(Increase) in stock		
Opening stock :		
Yarn	-	905805
Stock-in-process	-	143401
A	<u>-</u>	<u>1049206</u>
Closing stock :		
Yarn	-	-
Stock-in-process	-	-
B	<u>-</u>	<u>-</u>
Decrease/Increase in Stocks (A-B)	-	1049206
SCHEDULE-15		
RAW MATERIAL CONSUMED		
COTTON		
Opening stock	-	246364
Add: Purchases	-	2946392
	-	3192756
Less: Closing stock	-	-
TOTAL	<u>-</u>	<u>3192756</u>
SCHEDULE-16		
MANUFACTURING EXPENSES		
Testing Expenses	-	3134
Repairs & Maintenance	672000	2186092
Wages & Salary - Factory	50971	1887202
Power & Fuel	-	10739860
TOTAL	<u>722971</u>	<u>14816288</u>
SCHEDULE-17		
PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries & Wages	358367	501852
Welfare expenses	-	892991
TOTAL	<u>358367</u>	<u>1394843</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
SCHEDULE - 18		
ADMINISTRATIVE EXPENSES		
Security service	115057	96976
Conveyance	11861	45457
Licence & taxes	55925	96893
Maintenance of Building	8431	-
Insurance	91152	205531
Legal Expenses	15250	124223
Membership Fee	5000	10000
Communication	10940	73924
Professional Charges	15950	-
PNB OA Fees	168540	-
Rent	12000	12000
Pooja Expenses	31755	23233
Printing & Stationery	4640	13706
General Expenses	626	19438
Directors' Sitting Fees	2000	2000
Auditor's Remuneration	35000	35000
Advertisement	34260	148163
TOTAL	618387	906544
SCHEDULE-19		
SELLING EXPENSES		
Selling Commission	-	59436
Sales tax	-	168917
TOTAL	-	228353
SCHEDULE-20		
INTEREST & FINANCIAL CHARGES		
Term loan & others	35899318	29743710
Bank charges	3073	16076
TOTAL	35902391	29759786

Schedule - 21

Notes forming part of the Balance Sheet as at 31st March, 2009 and Profit & Loss Account for the year ended on that date.

1. SIGNIFICANT ACCOUNTING POLICES:

A. Accounting Convention:

i) The Financial Statements are prepared in accordance with the requirements of the Companies Act, 1956 under the historical cost convention on the accrual basis.

ii) Use of Estimates

Estimates and assumptions used in the preparation of the financial statements are based upon Management's evaluation of the relevant facts and circumstances as of the date of the Financial Statement.

B. Revenue Recognition:

Revenue from sale of goods is recognised upon passing of title to the consumer, and delivery as per terms of sale. Other income and expenses are accounted for on mercantile basis.

C. Fixed Assets:

Fixed Assets are stated at historical cost of acquisition (less CENVAT Credits) including installation and commissioning charges less accumulated depreciation.

None of the Fixed Assets have been revalued during the year. Depreciation is provided on Straight Line Method at the rates prescribed under the Schedule- XIV of the Companies Act, 1956 and while doing so the Plant and Machinery has been considered as continuous process plant by the Company. During the year the mill did not run and no conversion charges received. However, there will be usual wear and tear. Hence the depreciation has been claimed.

D. Inventories:

Stores and Spares: Valued at cost.

E. Investments: NIL

F. EMPLOYEE BENEFITS:

a) SHORT-TERM EMPLOYEE BENEFITS:

There are only Three employees. Hence not considered.

b) POST EMPLOYMENT BENEFITS:

i) Defined Contribution Plans:

There are only Three employees. Hence not considered.

ii) Defined Benefit Plans:

There are only Three employees. Hence not considered.

G. Sales: NIL No Income from operation during the year.

H. Foreign Exchange Transactions:

During the year the Company has not dealt with foreign exchange transactions.

2. Estimated amount of contracts remaining to be executed on Capital Accounts not provided for

2008-09	2007-08
Nil	Nil

3. Secured Loans:

Term loans from (a) M/s. TIIC & (b) M/s. SIPCOT- They are secured by mortgage of fixed assets present and future of the Company on paripassu basis and floating charge on current assets. They are also guaranteed by the Chairman-Cum-Managing Director.

The Status of Loans are as follows:

a) Loans with M/s.Punjab National Bank:

The Company has arrived at OTS in 23.01.2006 with the Bank and has fully settled the Loans and obtained No Due' certificate from the bank on 05.10.2007.

b) Term Loan with M/s.TIIC:

The Company has entered into OTS on 23.03.2007 for payment of Rs.270 lacs. The company paid Rs.54 lacs and could not pay the balance OTS amount. During the year, interest of Rs.25.92 lacs has been provided on OTS amounts. The settlement depends on payment by company and acceptance by M/s.TIIC.

c) Term Loan with M/s.SIPCOT:

The Company is yet to arrive at OTS with M/s.SIPCOT. Amount of interest has been provided on accumulated Principal of Rs.300 lacs and interest thereon.

4. Contingent Liabilities not provided for

a. **TNEB Due:** The Company has made a deposit of Rs.68.52 lacs towards Backward area power tariff concession'. No provision has been made for the "Backward area power tariff concession" amounting to Rs.89.04 lacs claimed and taken credit in accounts but refused by the TNEB. The Madras High Court vide its order dated 19th July'05 has decided the case in favour of the Company, TNEB has appealed to Supreme court by way of special leave petition in which also the SC decided the case in favour of the company.

b. **P.F. Due:** The Provident Fund Authorities vide their letter dt. 12.02.98 have intimated that the provisions of the Provident fund Act are applicable to the Company with effect from 22.09.97. But the Company has disputed the same in Madras High Court. As a matter of caution the Company has made a provision of Rs 2.95 Lakhs towards P.F. Payable, in earlier years. However, with effect from 5th July 1999, the Company has complied with the provisions of the said Act.

c. No provision has been made for Electricity Charges due Demanded by Tamil Nadu Electricity Board on account of Peak Hour Charges amounting to Rs.24.35 lakhs. The Company is making representation for waiver of the same and is hopeful of waiver.

d. **ESI Dues:** Employees State Insurance Corporation (ESI) demands a sum of Rs.35.54 lacs

No provision has been made for the same. The Unit is located in a Backward Area and is not covered by ESIC Act and the Company has disputed the liability and has obtained Injunction against demand from Madras High Court.

5. As the net worth of the Company has been eroded, a reference as per provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986) was made to the Hon'ble BIFR on 28.05.2001 and the Company was declared as Sick Industrial Company by the Hon'ble BIFR on 06.05.03. Consequent on the Power Supply disconnection by TNEB on 03.11.2007 the mill is not functioning.

6 In the absence of taxable income, no provision for income tax has been made. Provision has been made for FBT.

7 **Director's Remuneration:**

	2008 - 09	2007 - 08
Remuneration	Nil	Nil

8 Some of the balances of Sundry Debtors, Sundry Creditors and Other Advances are subject to confirmation.

9 In the opinion of the Board the Current Assets, such as Stock-in-Trade, Sundry Debtors & Loans and advances are shown at realisable value.

10 As information relating to small scale units having business relationship with the Company is not readily available, such information is not furnished.

Sterling Spinners Ltd.,

11 Additional Information:	2008 - 09		2007 - 08	
	Mts	Rs. in Lakhs	Mts	Rs. in Lakhs
a. Licensed Capacity (No. of Spindles)	Delicensed		Delicensed	
b. Installed Capacity (No. of Spindles)	16128		16128	
c. Production & Sales				
i. Production	-	-	46.166	-
ii. Sales				
Yarn	-	-	56.247	53.00
Cotton	-	-	-	-
Waste	-	-	4.458	0.17
Job work receipts	-	-	518.000	122.32
12 Raw Material Consumed				
Cotton	-	-	47.779	31.93
13 Opening & Closing Stocks				
a. Yarn	-	-	10.081	9.06
Work-in-Process	-	-	1.804	1.33
Total	-	-	11.885	10.39
Closing Stock				
Yarn	-	-	-	-
b. Work-in-Process	-	-	-	-
Total	-	-	-	-
14 Percentage of Raw Material Consumed				
Indigenous	100%	-	100%	31.93
15 Percentage of Spares parts & Components consumed				
(including machinery maintenance)	100%	-	100%	21.86
		2008 - 09		2007 - 08
16 Auditor's Remuneration				
Audit Fee		0.20		0.20
Tax Audit Fee		0.15		0.15
Other Matters		-		-
Total		0.35		0.35
17 Value of Imports (CIF Value)				
a) Raw Materials	-		-	
b) Capital Goods	-		-	
18 Expenditure in Foreign Currency	-		-	
19 Previous Year's Figures have been regrouped where ever necessary.				
19(A) Related Parties:				
Sl.No Party				Relationship
I. 1) Savorit Limited				Associate Enterprise
2) Savorit Food Industries Limited				-do-
3) Savorit Oils Limited				-do-
II. a) Sri K.S. Venugopala, Chairman cum Managing Director				Key managerial personal
b) Sri R. Vijaykumar, Director				-do-
c) Sri K. Alagiriswami, Director				-do-

19(B) RELATED PARTY DISCLOSURES

S.No.	Name of the related party	Description of the relationship	Nature of the transactions	Opening balance 2008 - 09	Volume of the Transaction 2008 - 09	Any other elements of the related party transactions	Amount Written off in respect of debts due to related parties	Balance as on 31.03.09
1.	K.S. Venugopala	Chairman - Cum- Managing Director	unsecured loan received	322.09	9.73 (Net)	NIL	NIL	331.82
2.	Savorit Limited	United India Rentals (A Divn. of Savorit Limited)	Rental Payment	0.33	0.12	NIL	NIL	0.45

20 The Basic and diluted Earnings per share (EPS)

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
Profit / (loss) After tax	(39868040)	(40565150)
Number of Equity shares	7000000	7000000
nominal value of ordinary shares	Rs. 10/-	Rs. 10/-
Basic/diluted earning per share	(5.69)	(5.80)

21 The company has unabsorbed Depreciation and carry forward Losses under Income Tax Act, 1961 available to setoff against future taxable income. In the absence of virtual certainty of sufficient future taxable income to avail the said credit, deferred tax Assets are not recognised during the year.

Place: Chennai

Date: 08.05.2009

K.S. VENUGOPALA
CHAIRMAN-CUM-
MANAGING DIRECTOR

R. VIJAYKUMAR
DIRECTOR

As per our report attached
For **S. DHANYAKUMAR & CO.,**
CHARTERED ACCOUNTANTS

D. SAMPATHKUMAR
PROPRIETOR
M. No. 3483

Sterling Spinners Ltd.,

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. - State Code
 Balance Sheet
 Date Date Month Year

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue Right Issue
 Bonus Issue Private Placement

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities Total Assets

SOURCES OF FUNDS

Paid-up capital Reserves & Surplus
 Secured Loans Unsecured Loans

APPLICATION OF FUNDS

Net Fixed Assets Investments
 Net Current Assets Misc. Expenditure
 Accumulated Losses Deferred Tax Asset

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover Total Expenditure

+ - PROFIT/LOSS

+ - PROFIT/LOSS

BEFORE TAX

AFTER TAX

(Please tick Appropriate box + for profit - for loss)

Earning per share in Rs. (Annualised)

Dividend Rate (%)

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

(Item Code No. (ITC Code) Product Description

As per our report attached
 For S. DHANYAKUMAR & CO.,
 CHARTERED ACCOUNTANTS

K.S. VENUGOPALA
 CHAIRMAN-CUM-
 MANAGING DIRECTOR

R. VIJAYKUMAR
 DIRECTOR

D. SAMPATHKUMAR
 PROPRIETOR
 M.No. 3483

Place: Chennai
 Date: 08.05.2009

CASH FLOW STATEMENT FOR THE YEAR 2008 - 2009

A. CASH FLOW FROM OPERATING ACTIVITIES	31.03.2009	31.03.2008
	Rs. ('000)	Rs. ('000)
Net Loss before Tax and Extra Ordinary Items	(39868)	(40565)
Adjustment for:		
Depreciation	7566	7566
Other non-cash charges - Preliminary Expenses written off	-	-
Interest	35902	29744
Operating profit before working capital changes	<u>3600</u>	<u>(3255)</u>
Adjustment for;		
Increase/(decrease) in Sundry Debtors	6	93
Increase/(decrease) in Inventories	-	1452
Increase/(decrease) in Loans & Advances	51	(150)
Increase/(decrease) in Current Liabilities	4524	4825
Cash generated from operations(A)	<u>8181</u>	<u>6220</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to Fixed Assets including CWIP and advances on capital account	-	-
Net Cash used in Investing Activities (B)	<u>-</u>	<u>-</u>
C. CASH FLOW FROM FINANCIAL ACTIVITIES:		
Repayment of Borrowings	(13429)	(9654)
Loans from Promotors	5249	5151
Net Cash used in Financing Activities (C)	<u>(8180)</u>	<u>(4503)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents(A+B+C)	1	(1538)
Opening Balance of Cash and Cash Equivalents	49	1587
Closing Balance of Cash and Cash Equivalents	50	49

As per our report attached
For S. DHANYAKUMAR & CO.,
 CHARTERED ACCOUNTANTS

K.S. VENUGOPALA
 CHAIRMAN-CUM-
 MANAGING DIRECTOR

R. VIJAYKUMAR
 DIRECTOR

D. SAMPATHKUMAR
 PROPRIETOR
 M.No. 3483

Place: Chennai
 Date: 08.05.2009

**S. DHANYAKUMAR & Co.,
CHARTERED ACCOUNTANTS**

**PHONE : 24341189
5, SOUTH BOAG ROAD,
T. NAGAR,
CHENNAI - 600 017.**

AUDITOR'S CERTIFICATE

To

**THE BOARD OF DIRECTORS
Sterling Spinners Ltd.,
Chennai - 600 081.**

We have verified the above Cash Flow Statement of M/s. Sterling Spinners Ltd., derived from the Audited Financial Statement for the year ended 31st March, 2009 and found the same to be drawn in accordance with and also with the requirements of Clause 32 of the Listing Agreement with Stock Exchanges.

**For S.DHANYAKUMAR & CO.,
CHARTERED ACCOUNTANTS**

Place : Chennai
Date : 08.05.2009

**D.SAMPATHKUMAR
PROPRIETOR
M.No. 3483**

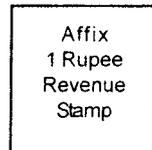
STERLING SPINNERS LTD.,
New No. 4, (Old No. 377/2) S.N. Street, Tollgate, Chennai-600 081.

PROXY FORM

Regd. Folio No..... No. of Shares held.....
I/We..... of.....
in the district being a member/members of Sterling Spinners Ltd. hereby appoint.....
.....in the district of.....of failing him/
her..... of..... in
the district of..... as my/our Proxy to attend and vote
for me/us behalf at the Fifteenth Annual General Meeting of the Company to be held on Saturday the 26th September
2009 at ~~11.00~~
10.30 a.m. and at any adjournment thereof.

As Witness my hand/our hands this..... day of 2009 .

Signed by said.....



Notes : a) The form should be signed across the stamp as per specimen signatures

Registered with the Company.

b) The Proxy form duly completed must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the aforesaid meeting.

----- (Tare Here) -----

STERLING SPINNERS LTD.,
New No. 4, (Old No. 377/2) S.N. Street, Tollgate, Chennai-600 081.

ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

I/We hereby record my/our presence at the 15th Annual General Meeting of the Company held at ~~11.00~~
10.30 a.m. on
Saturday the 26th September 2009 at New No. 4, (Old No. 377/2), S.N. Street, Tollgate, Chennai-600 081.

Full Name of Member (in Block Letter).....

Regd. Folio No..... No. of Shares held.....

Full Name of the Proxy (in Block Letter).....

Signature of the Member (s) or Proxy/Proxies Present.....

Please complete and sign this attendance slip and handover at the entrance of the meeting hall. Only Member(s) or their proxies with this attendance slip will be allowed entry to the Meeting.

Book - Post

To

If undelivered please return to :
STERLING SPINNERS LTD.,

Registered Office :
New No. 4, (Old No. 377/2) S.N. Street,
Tollgate, Chennai-600 081.