



**Pranavadiya Spinning Mills Limited**

**A N N U A L   R E P O R T   2 0 1 1 - 1 2**

## **BOARD OF DIRECTORS**

Mr. S. K. Agrawal	<i>Chairman</i>
Mr. Anil Kumar Jain	<i>Director</i>
Mr. Kamal Mitra	<i>Director</i>
Mr. P. N. Shah	<i>Director</i>
Mr. R. Anand	<i>Director</i>

## **AUDITORS**

B. K. Shroff & Co.,  
Chartered Accountants,  
3/7-B, Asaf Ali Road,  
New Delhi - 110 002

## **SHARE TRANSFER AGENTS**

Bigshare Services Pvt. Ltd.  
E-2-3/Ansa Industrial Estate,  
Saki Vihar Road,  
Saki Naka, Andheri (East),  
Mumbai - 400 072.  
Tel.: 022-4043 0200

## **CORPORATE OFFICE**

301, Arcadia, Nariman Point,  
Mumbai - 400 021

## **REGISTERED OFFICE AND WORKS**

Village : Alte  
Taluka : Hatkanangale  
District : Kolhapur  
Maharashtra : 416 109

## **DELHI OFFICE**

506, Pragati Tower, 26, Rajendra Place,  
New Delhi - 110 008

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## Notice

**NOTICE** is hereby given that the 22<sup>nd</sup> Annual General Meeting of **PRANAVADITYA SPINNING MILLS LIMITED** will be held on Saturday, the 25th August, 2012 at 11.30 a.m., at the Registered Office of the Company at Village Alte, Taluka Hatkanangale, Dist. Kolhapur 416 109, Maharashtra to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Accounts for the financial year ended 31st March 2012 and the Report of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Kamal Mitra, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. P. N. Shah, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification the following resolution as Special Resolution

**“RESOLVED THAT** pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof) to create such Charges, Mortgages and Hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the management and concern of the Company in certain

events, in favour of Banks/Financial Institutions and other investing agencies to secure Rupee/foreign currency Loans and Working capital facilities availed or proposed to be availed by the Company, provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company in respect of the said Loans, shall not, at any time exceed the limit of ₹ 700 Crores.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds and things, as well as to execute all such documents, instruments and writings as may be required in order to give effect to the above resolution”.

**By Order of the Board**

Place : Mumbai  
Date : 25th May 2012

**Kamal Mitra**  
Director

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

#### Item No. 5

As per the provisions of Section 293(1)(a) of the Companies Act, 1956, the Board of Directors of a Public Company can not Sell, Lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole, or substantially the whole, of any such undertaking with out the consent of the shareholders in the General Meeting.

The Company is required to create mortgage on its entire moveable/immoveable properties to secure the lenders of its holding Company.

As the mortgage/Charge/Hypothecation created / to be created by the Company on its Assets as aforesaid in favour of the Banks and Financial institutions may be regarded as disposal of the Company's properties/undertaking in certain events of default, it is necessary for the members to pass a resolution under section 293(1)(a) of the Companies Act, 1956, for creation of such charge/mortgage/Hypothecation.

Board recommends the resolution set out in item no. 5 of the notice, for your approval.

None of the Directors of the Company is in any way concerned or interested in the resolution.

**Additional information: as required in terms of Para VI (A) of Clause 49 of the Listing Agreement**

**Brief profile of Mr Kamal Mitra, who retires by rotation and is eligible for re-appointment**

Mr Kamal Mitra, holds a Bachelor Degree in Textile Engineering and has rich experience for more than 33 years in the textile industry. Mr. Mitra has been associated with the Company since August 2007 and has been appointed on the Board of the Company since 27<sup>th</sup> September, 2007.

**Outside Directorship:** Indo Count Industries Ltd.

**Committee Chairmanship/Membership:**

Name of the Company	Audit Committee	Shareholders' / Investors Grievance Committee	Share Transfer Committee
Indo Count Industries Ltd	—	Member	Member
Pranavaditya Spinning Mills Ltd	Member	Member	Member

**Brief profile of Mr P.N Shah, who retires by rotation and is eligible for re-appointment**

Mr P.N Shah is a Chartered Accountant by profession. Mr. Shah has been on the Board of the Company since 31<sup>st</sup> July 2007.

**Outside Directorship :** a) P I Industries Ltd, b)Secure Meters Ltd., c) Wolkem India Ltd., d) Taparia Tools Ltd., e) Indo Count Industries Ltd.

**Committee Membership/Chairmanship :**

Name of the Company	Audit Committee	Remuneration Committee
Indo Count Industries Ltd	Chairman	Member
P.I Industries Ltd	Chairman	Member
Wolkem India Ltd.	Chairman	—
Taparia Tools Ltd	Chairman	Member
Pranavaditya Spinning Mills Ltd	Member	—
Secure Meters Ltd	Chairman	Member

**By Order of the Board**

Place : Mumbai  
Date : 25th May 2012

**Kamal Mitra**  
Director



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**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The proxy form should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the aforesaid Meeting.

2. Members/Proxies should bring the attendance slip duly filled in for attending the aforesaid meeting.
3. Register of Members and the Share Transfer Books of the Company will remain closed from 17-08-2012 to 25-08-2012 (both days inclusive).
4. Members are requested to:
  - (i) intimate, changes, if any, in their Registered Addresses immediately;
  - (ii) intimate about consolidation of folios if shareholdings are under multiple folios;
  - (iii) quote ledger Folio No./DPID/Client ID in all their correspondence; to the Company's Registrar & Transfer Agent:-

M/s Big Share Services Pvt. Ltd.  
E-2-3/Ansa Industrial Estate, Saki Vihar Road,  
Saki Naka, Andheri (East), Mumbai 400 072  
Tel.: 022 – 40430200; Fax.: 022 – 28475207

5. MEMBERS ARE ADVISED TO SEND ALL SHARE TRANSFERS AND RELATED CORRESPONDENCE TO THE REGISTRAR AND SHARE TRANSFER AGENT AT THE ABOVE ADDRESS.
6. Shareholders intending to require information about accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.

**By Order of the Board**

Place : Mumbai  
Date : 25th May 2012

**Kamal Mitra**  
Director

# Directors' Report

To  
The Members

The Directors of your Company are pleased to present the 22<sup>nd</sup> Annual Report, with the statement of audited accounts for the financial year that ended 31<sup>st</sup> March 2012 :

## Financial Results

(₹ in lac)

Particulars	Current Year	Previous Year
Gross sales (including export incentive)	4,774.29	4,891.18
Profit/(loss) before Depreciation, interest and Taxation	(215.70)	490.92
Less : Interest	32.87	23.52
: Depreciation	57.73	192.12
<b>Cash Profit</b>	<b>(248.57)</b>	465.60
Net Profit for the year before taxation	(306.29)	275.29
Provision for Taxation (including Deferred Tax Asset)	95.39	(112.87)
<b>Net Profit/(loss) After Taxation</b>	<b>(210.90)</b>	162.41
Balance Brought Forward	93.07	(69.34)
Net Profit/(Loss) carried forward to Balance Sheet	(117.83)	93.07

## Dividend

Your Directors intend to plough back available resources for financial requirements and express their inability to recommend any dividend for the year under review.

## PERFORMANCE REVIEW

High cotton cost has affected the operations of all the Textile Companies in India. Your Company is not an exception to this and has posted poor performance of business and profitability. Your Company has incurred an operating loss of about ₹ 2.16 Crore as against profit of ₹ 4.91 Crore in the previous year on sales turnover of ₹ 47.75 Crore (previous year ₹ 48.91 Crore). The Company could see a positive trend in the spinning industry during the last quarter of the financial year under review. With available indications this positive trend should continue during the coming years.

## Management Discussion and Analysis

### Industry structure and developments

The Indian spinning industry enjoys a predominant

position in the domestic and international yarn trade. With about 41 million. Spindles, this segment of the textile industry, is still expanding and modernizing itself, being the single largest beneficiary under the Technology Upgradation Scheme of the Government of India.

Most of the Textile Mills are in the organized sector with medium and large scale units. Considering the advantage of good raw material base, alongwith availability of skilled manpower, the spinning units are efficiently run and thus compete very well in terms of cost of production with the global players.

During the year under review, besides, catering the ever growing domestic market, your Company, has exported about 42% of its Sales.

Your company has been in the carded yarn business and has established a name in the domestic market. The facilities at the unit have been streamlined and aligned to produce the best quality of yarns at competitive costs.



The unit has moved in to higher value addition by producing finer counts of carded yarn.

## Opportunities and threats

Due to general economic slow down globally, the domestic market had also faced slump in demand for cotton yarn. Despite this, during the year under review, the sales and production grew by about 49% over that of the previous year.

Looking at the potential growth of Cotton Yarn Market, Company proposes to undertake expansion to optimize its Production. Steps will be taken at appropriate time to enhance the capacity to take advantage of this situation.

Export of Cotton during the year under review has given spiralling impact on the prices of Cotton and Yarn. However, the Government has taken corrective steps to discourage the export of Cotton by banning the same. Cost of the other major input like power, and labour have also rose sharply exerting pressure on the production cost.

## Risks and concerns

Cotton production depends on the vagaries of monsoon. Procurement of raw material at right prices is the key to yarn prices remaining cost competitive.

Company is scouting for availment of bank finance for expansion purpose as well as for working capital facilities to strengthen further its operations in the time to come.

## Outlook

There is spurt in demand for cotton yarn both in domestic and international markets, of late, and as a result, yarn prices have started looking up. Overall outlook for the Textile Industry continues to be promising.

## Segment

The company is engaged only in one segment i.e. textiles.

## Internal control systems and their adequacy

The company has in place an elaborate internal control system to ensure proper authorization and accounting of

transactions as also for safeguarding and protecting company's assets against loss. The internal auditors check the controls periodically and their report is reviewed by the management and the Audit Committee from time to time. The management feels that the system of internal controls is adequate considering the size of operations of the company.

## Human Resources

During the year, labour relations continued to be cordial.

Particulars of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.

## Corporate Governance

The corporate governance report together with a certificate from the Company's auditors confirming compliance of guidelines are made part of this Report as per clause 49 of the listing agreement entered into with the stock exchanges.

## Directors' Responsibility Statement

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- that in the preparation of the accounts for the financial year ended on 31st March 2012, the applicable accounting standards have been followed and there are no material departures.
- that the Directors 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 Loss of the company for the year under review.

## Directors' Report

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- c) that the Directors 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.
- d) that the Directors have prepared the annual accounts ended on 31st March 2012 on a 'going concern' basis.

statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments outside the country, global demand and supply conditions in the industry, input prices, changes in government regulations, tax laws and other factors such as litigation and industrial relations.

### Directors

In accordance with the provisions of the Companies Act, 1956, Mr. Kaml Mitra, and Mr. P. N. Shah retires by rotation and being eligible, offer themselves for reappointment.

### Auditors

M/s. B K Shroff and Co., Chartered Accountants retire at the end of this Annual General Meeting and are eligible for reappointment as auditors.

The observations of Auditors as referred in Auditors' Report are suitably explained in the Notes on Accounts and therefore do not call for any further comments.

### Conservation of Energy, Technology Absorption & Foreign Exchange Earning & Outgo

Statement required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure "A" forming part of this Report.

### Acknowledgements

Your directors are grateful to the customers, suppliers and employees for their Co-operation and assistance during the year under review.

### Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be 'forward-looking

**On behalf of Board of Directors**

Place : Mumbai  
Dated : 25th May 2012

**Anil Kumar Jain**  
Director



## Annexure to Directors' Report

Information Under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and Forming part of the Directors' Report for the financial year ended on 31st March 2012.

### A. CONSERVATION OF ENERGY

#### Form - A

#### Form for Disclosure of particulars with respect to conservation of energy

Particulars	Current Year	Previous Year
a) Power and Fuel <b>ELECTRICITY</b>		
a) Purchased (Units)	<b>104,50,260</b>	108,13,506
Total amount ₹ in lac	<b>680.57</b>	588.35
Rate/unit ₹	<b>6.51</b>	5.44
b) Own generation:		
i) through diesel generator		
Unit	<b>Nil</b>	Nil
Unit/liter of diesel oil	<b>Nil</b>	Nil
Cost per unit	<b>NA</b>	NA
ii) Furnace oil		
Quantity (KL)	<b>—</b>	—
Amount ₹ in Lac	<b>—</b>	—
Average Rate (₹)	<b>—</b>	—
b) Electricity consumption per unit of production of yarn per Kg.	<b>3.84</b>	3.92

### B. TECHNOLOGY ABSORPTION

#### Form - B

#### Technology Absorption, Adaptation and Innovation

- Specific areas in which R & D was carried by the Company - Nil**
- Benefit derived from above R & D activities - Nil**
- Future plan of action.**

Search for improvement/betterment in products and systems will continue in order to reduce production costs.

### C. Expenditure on R & D

- Separate account for R&D expenses is not maintained.
- Expenditure is charged to profit and loss account like other heads.

### 2. Technology absorption, adaptation and innovation

The Company has not imported any technology since inception.

### D. FOREIGN EXCHANGE EARNINGS AND OUT-GO

- Activity related to initiatives taken to increase export markets for products and services and export – The Company product is entirely sold in the local market.
- Total foreign exchange used and earned.

(₹ in lac)

Particulars	2011-12	2010-11
Used	<b>18.96</b>	14.52
Earned (FOB value of export goods)	<b>1984.81</b>	972.83

On behalf of Board of Directors

Place : Mumbai  
Dated : 25th May 2012

**Anil Kumar Jain**  
Director

# Corporate Governance (Annexure to Directors' Report)

## 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

### Philosophy

The Company continues to focus on good Corporate Governance and its primary objective is to create and adhere to a corporate culture of conscience, and consciousness, integrity, transparency, accountability for efficient and ethical conduct of business for meeting its objective towards shareholders and other stakeholders. The company is committed to achieving the highest standard of corporate governance.

### Status of Compliance

Our Company has been able to make significant compliance with the revised provisions of Clause 49 of the Listing Agreement.

## 2. BOARD OF DIRECTORS

### a) Composition of the Board

The Company has presently 5 directors and the Chairman is a Non-Executive Director. Other four are also Non-Executive Directors and of these three are Independent Directors.

The Board of Directors meet at least once a quarter to review the Company's performance and financial results and more often, if considered necessary, to transact other important business.

### b) Number of Board meetings

During the current accounting year ended 31st March 2012, 4 Board Meetings were held on the following dates viz. 16-05-2011, 12-08-2011, 09-11-2011 and 10-02-2012.

The maximum interval between any two Board Meetings was less than 4 months as stipulated in Clause 49 of the Listing Agreement.

The 21st Annual General Meeting was held on 02-08-2011.

### c) Directors attendance record and Directorship held as under:

Name of the Director	Designation	Category	During the Year Number of Board Meetings		Whether attended last AGM	Directorship in other Public Limited Companies incorporated in India	Overall Committee Membership/ Chairmanship across Directorship	
NON EXECUTIVE			Held	Attended			Chairman	Member
Mr. S. K. Agrawal	Chairman	Independent	4	4	Yes	1	2	4
Mr. Anil Kumar Jain	Director	Promoter	4	3	Yes	3	3	4
Mr. Kamal Mitra	Director	Non-Independent	4	3	Yes	1	—	3
Mr. P N Shah	Director	Independent	4	4	No	5	4	6
Mr. R Anand	Director	Independent	4	3	No	3	0	3