



# PRANAVADITYA SPINNING MILLS LIMITED



Annual Report  
2016-17





## Pranavadiya Spinning Mills Limited

### Contents

Corporate Information .....	1
Board's Report .....	2
Corporate Governance Report .....	22
Independent Auditors' Report .....	35
Balance Sheet .....	40
Statement of Profit and Loss .....	41
Cash Flow Statement .....	42
Statement of Changes in Equity .....	43
Notes to the Financial Statements .....	44

# Corporate Information

## Board of Directors

Mr. S. K. Agrawal - Chairman  
Mr. Anil Kumar Jain  
Mr. Kamal Mitra  
Mr. P. N. Shah  
Mr. R. Anand  
Ms. Preeti Sheth

## Chief Financial Officer

Mr. Dilip Kumar Ghorawat

## Company Secretary and Compliance Officer

Mrs. Amruta Avasare

## Auditors

M/s. B. K. Shroff & Co.  
Chartered Accountants  
1<sup>st</sup> Floor, Flat No. 4, 3/7-B,  
Asaf Ali Road,  
New Delhi - 110 002

## Corporate Office

301, Arcadia, 3<sup>rd</sup> Floor,  
Nariman Point,  
Mumbai - 400 021

## Registered Office

Office No. 2, Plot No. 266,  
Village Alte, Kumbhoj Road,  
Taluka Hatkanangale,  
District Kolhapur - 416 109,  
Maharashtra

## Registrar and Share Transfer Agent

Bigshare Services Pvt. Ltd.  
1<sup>st</sup> Floor, Bharat Tin Works Building,  
Opp, Vasant Oasis, Makvana Road,  
Marol, Andheri (East), Mumbai - 400 059

## Bankers

Union Bank of India

# BOARD'S REPORT

Dear Members,

On behalf of the Board of Directors ("the Board"), it gives me pleasure to present the 27<sup>th</sup> Annual Report on the business and operations of your Company together with the Audited Financial Statements for the year ended 31<sup>st</sup> March, 2017.

## Financial Results

(₹ In Lakhs, except EPS)

Particulars	2016-17	2015-16*
Total Income	5856.21	6081.25
EBIDTA	35.12	110.26
Less : Finance Cost	17.85	23.48
Less : Depreciation	115.54	128.80
Profit / (Loss) before Tax	(98.27)	(42.02)
Less: Provision for taxation	41.50	8.54
Net Profit / (Loss) after tax	(56.77)	(33.48)
Other Comprehensive Income	10.18	(1.77)
Total Comprehensive Income	(46.59)	(35.25)
EPS (in ₹)	(0.30)	(0.17)
Appropriations		
Retained Earnings	1546.02	1581.27
Total Comprehensive Income	(46.59)	(35.25)
Balance carried to Retained Earnings	1499.43	1546.02

\* Figures of FY 2015-16 are restated as per Ind AS

## Dividend

In view of loss incurred by the Company for the year ended 31<sup>st</sup> March, 2017, the Board of Directors of the Company has not recommended any dividend on equity shares of the Company for the financial year under review.

## Management Discussion and Analysis

### Operational and Financial Performance

Cotton Spinning industry has been facing many challenges over past 2-3 years including the year 2016-17. There has been a sharp increase and fluctuation in cotton prices during FY 2016-17 due to low domestic availability of cotton, which was further impacted by continued fibre exports amid uncertainty on the actual crop size following slower arrivals. Further, cotton yarn price has not increased in the same proportion as cotton price and there has been a wide disparity between spot cotton price and yarn price. This has led to higher production cost and low margins for spinning companies including for your Company. Due to weak demand for yarn and reduction of import by China, your Company was not able to pass on the said production cost to customers.

Power cost of Maharashtra is one of the highest in India. As a result of said power cost and erratic power supply from Maharashtra State Electric Distribution Company Limited ("MSEDCL"), your Company was outsourcing power which was 12 to 15 per cent lower than the cost of MSEDCL, but due to the changes in tariff structure implied on outsourced power, your Company had to switch over again to MSEDCL.

During the year under review, your Company also faced certain issues on labour front and it became impossible for the management to operate the plant in a normal manner. Your Company was thus forced to declare a temporary lock-out for a period of around 3 weeks. The Lock-out resulted in loss of production which further affected the operational performance of the company. The management, however, convinced the union and stopped their agitation for the demand of higher wages and bonus, till the company is in a position to take the additional burden of wage rise. Your Directors, are however, glad to inform you that normal production was restored after the lifting of temporary lock-out and the capacity utilisation has been increased thereafter. Your Company has also taken steps towards replacement of certain old machineries.

Due to the aforesaid situation of spinning industry in general and other factors mentioned above, the operational and financial performance of Your Company was affected during the year under review. Your Company achieved total income of ₹ 5856.21 Lakhs for

the year ended 31<sup>st</sup> March, 2017 as compared to ₹ 6081.25 Lakhs in the previous year. EBITDA is reduced from ₹ 110.26 Lakhs to ₹ 35.12 Lakhs for the year ended 31<sup>st</sup> March, 2017. The Company incurred loss of ₹ 56.77 Lakhs for the year ended 31<sup>st</sup> March, 2017 as compared to loss of ₹ 33.48 Lakhs for the year ended 31<sup>st</sup> March, 2016.

Your Directors are also pleased to inform you that as on 31<sup>st</sup> March, 2017, your Company does not have any indebtedness.

### **Industry Structure and Development**

The Textile Industry has two broad segments – the unorganised sector consisting of handlooms, handicrafts, sericulture and the organised sector consisting of spinning, weaving, knitting, garments and home textile segment. Indian spinning industry has been operating for several decades and India accounts for 18% of world spindles and 9% of world rotors. For over two years including FY 2016-17, Cotton spinning industry is undergoing through challenging phase. The cotton prices were very high and volatile during FY 2016-17.

The Indian Textile Industry is one of the leading textile industries in the world. It is one of the key sectors of India's manufacturing segment as it contributes significantly to the economy in terms of employment generation and foreign exchange revenue. India accounts for about 14% of the world's production of textile fibres and yarns; 4% to India's GDP and 15% to the Country's export earnings.

In CS 2015-16, India surpassed China to become the largest producer of cotton. Acreage for cotton in India was around 11.9 million hectares in cotton season 2015-16. India has the highest acreage for cotton as compared with the other major cotton producing nations in the world. Cotton production was around 5.7 billion kg in CS 2015-16. In CS 2016-17, India's cotton production is estimated at 5.9 billion kg, higher by about 4% on a y-o-y basis. The cotton yarn production in CS 2015-16 was 4138 million kgs and in CS 2016-17, the same is estimated to fall by about 5-7% to 3936 million kgs.

### **Outlook 2017-18, Opportunities and Threats**

According to the Ministry of Textiles, the domestic textile and apparel industry in India is estimated to reach US\$ 141 bn by 2021 from US\$ 58 bn in 2011.

Cotton yarn prices are expected to recover in the near term, after witnessing a decline in 2016-17 owing to a fall in derived demand and lower cotton prices. However, operating margins of spinners will remain under pressure in the medium term as the increase in cotton yarn prices will be lower than the increase in cotton prices on back of oversupply and subdued demand in the industry. Also, due to expected fall in the demand for cotton yarn, the utilization rates of the domestic spinners is expected to be lower which will put further pressure on the margins.

China's reduced imports of cotton yarn from India is expected to continue in near future thus overall yarn demand is projected to remain lower. However, in medium to long term decrease in demand from China will be offset by improvement in demand from Bangladesh, Pakistan and Vietnam. Cotton yarn industry may be under pressure from both demand and supply side due to low cotton stock levels.

Potential markets for Indian cotton yarn is expected to be Bangladesh, Korea, Turkey, Russia, Italy, Vietnam, El Salvador, Japan, Malaysia, Mexico & USA.

Some of the issues faced by spinning industry apart from higher raw material cost include power cost, overcapacity in industry, duty challenges in export market.

The Government has been requested to allow MEIS and interest subvention for yarn industry, design a comprehensive, scientific and unbiased system for crop forecast and arrivals and release data by DGFT of cotton and yarn exports/imports on real time basis.

### **Risks and concerns**

Raw Cotton, an agricultural product, is the key raw material used for the manufacture of cotton yarn. Almost 65% of area under cotton cultivation is rain-fed and hence is dependent on vagaries of monsoon. Adequate availability of raw cotton at right prices is crucial for your Company. The factors which can influence cotton price is the price of competing fibers, polyester and viscose, overall commodity index trend, government policies and global economic growth.

Other areas of concerns are volatility in foreign exchange currency rates vis-à-vis indian rupee and rapid expansion of spinning capacity in the country without commensurate increase in downstream weaving, knitting and garmenting sectors.

## Segment

Your Company operates in a single segment i.e Textiles. Your Company is mainly engaged in the manufacturing of yarn.

## Internal control systems and their adequacy

Your Company maintains adequate internal control system and procedures commensurate with its size and nature of operations. The internal control systems are designed to provide a reasonable assurance over reliability in financial reporting, ensure appropriate authorisation of transactions, safeguarding the assets of the Company and prevent misuse/ losses and legal compliances.

The internal control system includes a well defined delegation of authority and a comprehensive Management Information System coupled with quarterly reviews of operational and financial performance, a well structured budgeting process with regular monitoring of expenses and Internal audit. The Internal Audit reports are periodically reviewed by the management and the Audit Committee and necessary improvements are undertaken, if required.

## Environment Protection, Health and Safety

Environment Protection, Health and Safety continues to receive highest priority in all operational and functional areas. Systematic process safety analysis, safety inspections are carried out and suitable control measures are adopted for ensuring safe operations at the plant. Various processes as required for pollution control and environmental protection are strictly adhered to.

## Human Resources

Your Company recognizes the importance and contribution of its people for growth and development and is committed to the development of its people.

Industrial relations were cordial and satisfactory except certain labour issues and temporary lock-out situation explained in the review of Operational and Financial performance.

As on 31<sup>st</sup> March, 2017, your Company has employed 194 permanent employees out of which 42 are permanent staff and 152 are permanent workers.

## Adoption of Indian Accounting Standards (Ind AS)

In accordance with the notification issued by the Ministry of Corporate Affairs (MCA), your Company is required to prepare financial statements under Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016 with effect from 1<sup>st</sup> April 2016. Ind AS has replaced the existing Indian GAAP prescribed under section 133 of the Companies Act, 2013, read with rule 7 of Companies (Accounts) Rules, 2014

Your Company is subsidiary of Indo Count Industries Limited and the MCA notification also mandates that Ind AS shall be applicable to subsidiary Companies, Joint venture or associates of the Company. Therefore, your Company has prepared and reported financial statements under Ind AS w.e.f. 1<sup>st</sup> April, 2016, including restatement of the opening balance sheet as at 1<sup>st</sup> April, 2015. The effect of the transition from IGAAP to Ind AS has been explained by way of reconciliation in the Standalone Financial Statements.

The Company has adopted Indian Accounting Standard ("Ind AS") with effect from 1<sup>st</sup> April 2016 with the transition date of 1<sup>st</sup> April, 2015 and the financial Statements for the year ended 31<sup>st</sup> March, 2017 have been prepared in accordance with Ind AS. The financial statements for the year ended 31<sup>st</sup> March, 2016 have been restated to comply with Ind AS to make them comparable.

## Share Capital

The paid up equity share capital of the Company as on 31<sup>st</sup> March, 2017 is ₹ 19,24,12,800/- comprising of 1,92,41,280 Equity shares of Face Value of ₹ 10/- each. During the financial year 2016-17, the Company has not issued equity shares with differential rights as to dividends, voting or otherwise or has not issued Sweat Equity shares. The Company does not have any Employee Stock Option Scheme or Employee Stock Purchase Scheme.

## Directors and Key Managerial Personnel

During the year under review, there was no change in the composition of Board of Directors of the Company.

Pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. Kamal Mitra, Non-Executive, Non Independent Director of the



Company, retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for the re-appointment. The Board recommends his re-appointment for consideration at the ensuing Annual General Meeting. Members are requested to refer the Notice of the ensuing Annual General Meeting for brief profile and other related information of Mr. Kamal Mitra, Director retiring by rotation.

All the Independent Directors of the Company have given declarations that they meet the criteria of independence as prescribed under Section 149 (6) of the Companies Act, 2013 and Regulation 16 (1) (b) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015. ("Listing Regulations").

During the year under review, the Board noted with deep regret sad demise of Mr. R. Sundaram, Chief Financial Officer of the Company on 28<sup>th</sup> July, 2016 and recorded its appreciation for the contribution made by Mr. R. Sundaram during his tenure with the Company.

Pursuant to the recommendation of Nomination and Remuneration Committee and Audit Committee, Mr. Dilip Kumar Ghorawat, Chief Financial Officer of Indo Count Industries Limited, Holding Company was appointed as the Chief Financial Officer of the Company w.e.f 12<sup>th</sup> November, 2016.

In terms of Section 203 of the Companies Act, 2013, as on 31<sup>st</sup> March, 2017, Mr. Ashok G. Halasangi, Chief Executive Officer, Mr. Dilip Kumar Ghorawat, Chief Financial Officer and Mrs. Amruta Avasare, Company Secretary are the Key Managerial Personnel (KMP) of the Company.

### **Number of Board Meetings**

During the year under review, 5 Board Meetings were held on 2<sup>nd</sup> May, 2016, 8<sup>th</sup> June, 2016, 11<sup>th</sup> August, 2016, 11<sup>th</sup> November, 2016 and 7<sup>th</sup> February, 2017. The maximum interval between any two consecutive Board meetings did not exceed 120 days.

### **Company's policy on appointment and remuneration of Directors and Key Managerial Personnel**

Your Company has adopted Nomination and Remuneration Policy for appointment and remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. The Nomination and Remuneration Policy is given in the Corporate Governance Report.

### **Annual Evaluation of Board Performance and its Committee and Directors**

Criteria of performance evaluation of the Board of Directors including Independent Directors are laid down by Nomination and Remuneration Committee of the Company. Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, the Board has carried out performance evaluation of its own, evaluation of working of the committees and performance of all Directors. A questionnaire containing the parameters of performance evaluation along with rating scale was circulated all the Directors. A separate meeting of Independent Directors of the Company was held on 8<sup>th</sup> June, 2016 in which Independent Directors inter-alia reviewed performance of Non Executive Independent Chairman and other Non-Independent Directors. The Board expressed their satisfaction with the evaluation process. More details on performance evaluation are provided to corporate governance report.

### **Directors' Responsibility Statement**

Pursuant to the provisions of Section 134(3)(c) and 134(5) of the Companies Act, 2013, your Directors, to the best of their knowledge and belief and according to the information and explanations obtained by them, state and confirm that:

- a. in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. such accounting policies as mentioned in the notes to the Financial Statements for the year ended 31<sup>st</sup> March, 2017 have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2017 and of the loss of the Company for the year ended on that date;
- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the annual financial statements for the year ended 31<sup>st</sup> March, 2017 have been prepared on a going concern basis;
- e. internal financial controls to be followed by the Company have been laid down and that the said financial controls were adequate

and were operating effectively;

- f. proper systems to ensure compliance with the provisions of all applicable laws have been devised and such systems were adequate and operating effectively.

### **Audit Committee**

During the year under review, there was no change in the composition of the Audit Committee of the Company.

As on 31<sup>st</sup> March, 2017, the Audit Committee comprises of Mr. S. K. Agrawal (Chairman), Mr. P. N. Shah, Mr. R. Anand and Mr. Kamal Mitra. More details on the Audit Committee are given in Corporate Governance Report. All the recommendations made by the Audit Committee were accepted by the Board.

### **Statutory Auditors**

M/s. B. K. Shroff & Co., Chartered Accountants (Firm Registration No. 302166E) were appointed as the Statutory Auditors of the Company to hold office for a transition period of 3 years i.e. from the conclusion of the 24<sup>th</sup> Annual General Meeting (AGM) of the Company held on 23<sup>rd</sup> August, 2014 till the conclusion of the 27<sup>th</sup> AGM of the Company. The term of M/s. B. K. Shroff & Co., Chartered Accountants as the Statutory Auditors is till the conclusion of ensuing Annual General Meeting of the Company.

The Board of Directors place on record its appreciation for the services rendered by M/s. B. K. Shroff & Co, Chartered Accountants as the Statutory Auditors of the Company.

In accordance with the provisions of Section 139 of the Companies Act, 2013, M/s. Suresh Kumar Mittal & Co., Chartered Accountants (Firm Registration No. 500063N) are proposed to be appointed as the Statutory Auditors of the Company for a period of 5 years to hold office from the conclusion of the ensuing 27<sup>th</sup> AGM till the conclusion of 32<sup>nd</sup> AGM subject to the ratification by members at every AGM.

M/s. Suresh Kumar Mittal & Co, Chartered Accountants, have consented to the said appointment and have confirmed that their appointment, if made, will be in accordance with the provisions of Section 139 read with Section 141 of the Companies Act, 2013.

Accordingly, the Board of Directors of the Company recommends the resolution in relation to the appointment of M/s. Suresh Kumar Mittal & Co, Chartered Accountants, as Statutory Auditors of the Company and fixation of their remuneration for approval of the members of the Company.

### **Auditors' Report**

The Auditors' Report on standalone financial statements forms part of this Annual Report. The Auditors' Report does not contain any qualifications, reservations, adverse remarks, disclaimer or emphasis of matter. Notes to the Financial Statements are self-explanatory and do not call for any further comments.

The Statutory Auditors of the Company have not reported any fraud as specified under the second proviso of Section 143 (12) of the Companies Act, 2013 (including any statutory modification(s) or re-enactment for the time being in force).

### **Secretarial Auditor and Secretarial Audit Report**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with rules thereunder, the Board has appointed M/s. Kothari H. & Associates, a firm of Company Secretaries in Practice to conduct Secretarial Audit of the Company for the year ended 31<sup>st</sup> March, 2017. The Secretarial Audit Report issued by them in Form No. MR-3 is provided as "Annexure 1" to this Report. The Secretarial Audit Report does not contain any qualifications, reservations or adverse remark.

### **Public Deposits**

During the year under review, your Company has not accepted any deposits from public, under Chapter V of the Companies Act, 2013.

### **Subsidiaries**

During the year under review, your Company does not have any subsidiaries or joint ventures or associate companies as defined under Companies Act, 2013.



However, the Company has framed a policy for determining material subsidiaries, which can be accessed at <http://www.pranavaditya.com/admin/uploads/pdf/PSML%20Policy%20on%20Material%20Subsidiaries.pdf>.

### **Corporate Governance Report**

As per Regulation 34(3) read with Schedule V of the Listing Regulations, your Company has complied with the requirements of corporate governance. A Corporate Governance Report along with Statutory Auditors' Certificate confirming its compliance for the year ended 31<sup>st</sup> March, 2017 is provided separately and forms integral part of this Annual Report.

### **Extract of Annual Return**

Pursuant to the provisions of Section 92 (3) of the Companies Act, 2013, Extract of the Annual Return as on 31<sup>st</sup> March, 2017 in Form No. MGT-9 is provided as "Annexure 2" to this Report.

### **Related Party Transactions**

All Related Party Transactions entered during FY 2016-17 were on an arm's length basis and in the ordinary course of business and were in compliance with the applicable provisions of the Companies Act, 2013 ("The Act") and Listing Regulations. The Company has not entered into any material contracts or arrangements or transactions with related parties in accordance with Section 188 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014. There were no material related party transactions during the year under review that would require approval of shareholders under Listing Regulations. Hence the Company has nothing to report in Form AOC-2 and the same is not annexed. Notes to the Financial Statements contains details of Related Party Transactions.

The prior omnibus approval of Audit Committee is obtained for all Related Party Transactions. A statement of all Related Party Transaction is reviewed by the Audit Committee on quarterly basis. Your Company has adopted a policy on Related Party Transactions. The policy as approved by the Board has been uploaded on the Company's website and can be accessed at <http://www.pranavaditya.com/admin/uploads/pdf/PSML%20Policy%20on%20Related%20Party%20Transactions.pdf>

### **Particulars of Loans, Investments, Guarantees, Securities under Section 186 of the Companies Act, 2013**

During the year under review, pursuant to Section 186 of the Companies Act, 2013, no Loans were given to any person, nor any Guarantees or securities were provided. Further, no investment was made in the securities of any other bodies corporates.

### **Risk Management**

The Company has devised Risk Management System which takes care of risk identification, assessment and mitigation. Some of the risks faced by the company are raw material price risk, financial risk, foreign currency risk etc. At present, there are no risks which in the opinion of the Board threaten the existence of the Company. The Internal Audit Report and Risk Management Framework is reviewed by the Audit Committee

### **Vigil Mechanism / Whistle Blower Policy**

Pursuant to the provisions of Section 177 (10) of the Companies Act, 2013 and Regulation 22 of the Listing Regulations, your Company has established a vigil mechanism for the Directors and employees of the Company to report concerns about unethical behaviour, actual or suspected incidents of fraud or violation of Code of Conduct. The details of Vigil Mechanism/Whistle Blower Policy are provided in the Corporate Governance Report. The Vigil Mechanism / Whistle Blower Policy may be accessed on the Company's website at [www.pranavaditya.com](http://www.pranavaditya.com).

### **Policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace**

In order to prevent sexual harassment of women at workplace, your Company has adopted a policy for prevention of Sexual Harassment of Women at workplace and has set up an Internal Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 to look into complaints relating to sexual harassment at workplace of any woman employee. During the year under review, the Company has not received any complaint pertaining to sexual harassment and no complaint was pending as on 31<sup>st</sup> March, 2017.

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

Information on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo required under Section 134 (3) (m) of the Companies Act, 2013 read with Rules thereunder is given as "Annexure 3" forming part of this Report.

### **Particulars of Employees and related disclosures**

The information required pursuant to Section 197 read with Rule 5(1), 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014 is provided as "Annexure 4-(I)" and "Annexure 4-(II)" to this report regarding remuneration of Directors, Key Managerial Personnel and other related disclosure.

### **Significant or Material orders passed by Regulators / Courts**

During the year under review, no significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

### **Material Changes and Commitments affecting the Financial Position of the Company**

There are no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year 2016-17 and the date of this report.

### **General**

Your Directors state that no disclosure or reporting is required in respect of the following items as the said provisions are not applicable to the Company during the year under review:

1. Cost Audit
2. Corporate Social Responsibility

### **Acknowledgements and Appreciation**

We place on record sincere appreciation for the contribution and commitment by all the employees of the Company.

Your Directors take this opportunity to thank Central and State Governments, customers, suppliers, shareholders, investors and bankers for their consistent support and co-operation to the Company.

**For and on behalf of Board of Directors**

Dated : 11<sup>th</sup> May, 2017  
Place : Mumbai

**S. K. AGRAWAL**  
CHAIRMAN  
DIN: 00400892