



PRANAVADITYA SPINNING MILLS LIMITED



30th
ANNUAL REPORT
2019-20





Pranavadiya Spinning Mills Limited

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CORPORATE INFORMATION

Board of Directors

Mr. S. K. Agrawal	Non-Executive Independent Chairman
Mr. Anil Kumar Jain	Non-Executive Non-Independent Director
Mr. Kamal Mitra	Non-Executive Non-Independent Director
Mr. P. N. Shah	Non-Executive Independent Director (Upto 15 th August, 2019)
Mr. R. Anand	Non-Executive Independent Director (Upto 15 th August, 2019)
Dr. Ashok Desai	Non-Executive Independent Director
Ms. Kala Agarwal	Non-Executive Independent Director
Mr. L. Viswanathan	Non-Executive Independent Director (Appointed w.e.f. 8 th May, 2019)

Chief Executive Officer

Mr. Ashok G. Halasangi

Chief Financial Officer

Mr. K. Muralidharan

Company Secretary and Compliance Officer

Mrs. Amruta Avasare

Statutory Auditor

M/s. Suresh Kumar Mittal & Co.

Corporate Office

301, Arcadia, 3rd Floor,
Nariman Point,
Mumbai - 400021

Registered Office

Office No. 2, Plot No. 266,
Village Alte, Kumbhoj Road,
Taluka Hatkanangale,
District Kolhapur - 416109,
Maharashtra

Bankers

Union Bank of India
HDFC Bank Limited

Registrar and Share Transfer Agent

Bigshare Services Pvt. Ltd.
1st Floor, Bharat Tin Works Building,
Opp, Vasant Oasis, Makvana Road,
Marol, Andheri (East), Mumbai - 400059

Corporate Identification Number

L17119PN1990PLC058139

Website

www.pranavaditya.com

BOARD'S REPORT

Dear Members,

The Directors of Pranavaditya Spinning Mills Limited ("your Company") present the 30th Annual Report on the business and operations of your Company together with the Audited Financial Statements for the year ended 31st March, 2020.

Financial Results

(₹ In Lakhs, except EPS)

Particulars	2019-20	2018-19
Revenue from operations	6941.13	8226.07
Other Income	53.81	29.23
Total Income	6994.94	8,255.30
EBIDTA	(244.19)	55.06
Less : Finance Cost	27.44	28.09
Less : Depreciation and Amortisation expenses	124.76	123.41
Profit / (Loss) before Tax	(396.39)	(96.44)
Provision for taxation – (Expense)/ Credit	128.14	30.83
Net Profit / (Loss) after tax	(268.25)	(65.61)
Add: Other Comprehensive Income	(1.99)	3.42
Total Comprehensive Income	(270.24)	(62.19)
EPS (in ₹)	(1.39)	(0.34)

The revenue from operations of your Company declined by around 15.62% from ₹ 8,226.07 Lakhs in previous year to ₹ 6,941.13 Lakhs for the year ended 31st March, 2020. Decline in revenue, disparity between cotton and yarn price and weak demand of cotton yarn mainly resulted in higher net loss after tax of ₹ 268.25 Lakhs for the year ended 31st March, 2020 as compared to net loss of ₹ 65.61 lakhs in previous year. More details on operational and financial performance are provided in Management Discussion and Analysis Report.

COVID-19 Pandemic

In the month of March, 2020, the outbreak of Novel Coronavirus (COVID-19) pandemic developed rapidly into a global crisis. This led to declaration of the lockdowns by the governments in the countries all over the world. For your Company, the focus immediately shifted to ensuring the health, safety and well-being of all employees. The manufacturing plant of the Company at Kolhapur was temporarily closed from March, 23, 2020 to contain the spread of COVID-19 as per Central/ State Government directions. The plant resumed partial operations from May 6, 2020 with limited workforce subject to the conditions prescribed by the Government/Local Authorities. However, COVID-19 pandemic have aggravated the problems of spinning industry and going forward, the situation appears to be challenging for the Company. More details on impact of COVID-19 Pandemic are provided in Management Discussion and Analysis Report.

Dividend

In view of loss incurred by the Company for the year ended 31st March, 2020, the Board of Directors of your Company has not recommended any dividend on the equity shares of the Company for the financial year under review.

Transfer to Reserves

During FY 2019-20, no amount has been transferred to the general reserves/ retained earnings of the Company.

Share Capital

There was no change in capital structure of your Company during the year under review. As on 31st March, 2020, the paid up equity share capital of your Company is ₹ 19,24,12,800/- comprising of 1,92,41,280 Equity shares of Face Value of ₹ 10/- each. During the financial year 2019-20, your Company has not issued any equity shares with differential rights as

to dividends, voting or otherwise, or any convertible securities, warrants or Sweat Equity shares. Your Company does not have any Employee Stock Option Scheme or Employee Stock Purchase Scheme.

Directors and Key Managerial Personnel

During the year under review, pursuant to the recommendation of Nomination and Remuneration Committee (NRC), Mr. L. Viswanathan (DIN: 00193056) was appointed by the Board as an Additional Director in the category of Non-Executive Independent Director of the Company for a first term of five consecutive years w.e.f. 8th May, 2019. His appointment as an Independent Director was duly approved by the members of the Company at the Annual General Meeting ("AGM") of the Company held on 13th August, 2019.

Mr. Pradyumna Natvarlal Shah (DIN: 00096793) and Mr. Anand Ramanna (DIN: 00040325) were associated with the Company as Independent Directors for more than a decade. Their first term of appointment as Independent Directors was upto 15th August, 2019. Due to advanced age, they did not seek re-appointment for a second term. Hence, they ceased to be the Directors of the Company w.e.f. 16th August, 2019 due to expiry of their first term. The Board places on record its appreciation for the immense contributions and valuable guidance given by Mr. P. N. Shah and Mr. R. Anand during their long association as Directors of the Company.

Mr. S. K. Agrawal (DIN:00400892) was re-appointed as a Non-Executive Independent Director designated as "Chairman" of the Company for the second term of five consecutive years w.e.f. 16th August, 2019 by the members of the Company at the AGM held on 13th August, 2019.

The appointment of Ms. Kala Agarwal (DIN: 08015576) as an Independent Director of the Company w.e.f. 7th February, 2019 was also approved by the members of the Company at the AGM held on 13th August, 2019.

Pursuant to the provisions of Section 152 of the Companies Act, 2013 ("Act") and articles of association of the Company, Mr. Anil Kumar Jain (DIN: 00086106) Non-Executive Non-Independent Director of the Company, retires by rotation at the ensuing AGM and being eligible, has offered himself for the re-appointment. The Board recommends his re-appointment for consideration at the ensuing AGM. As per Secretarial Standard – 2 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), brief profile and other related information of Mr. Anil Kumar Jain, Director retiring by rotation is provided in the Notice of ensuing AGM.

As on 31st March, 2020, Mr. Ashok G. Halasangi, Chief Executive Officer, Mr. K. Muralidharan, Chief Financial Officer and Mrs. Amruta Avasare, Company Secretary & Compliance Officer are the Key Managerial Personnel (KMP) of the Company in terms of Section 203 of the Companies Act, 2013.

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 Act and Regulation 16(1)(b) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge duties with an objective independent judgment and without any external influence. The said declarations were taken on record by the Board after assessing due veracity of the same. In the opinion of the Board, all Independent Directors are independent of the management.

Pursuant to Rule 6 of Companies (Appointment and qualification of Directors) Rules, 2014 as amended w.e.f. 1st December, 2019, all Independent Directors of the Company viz. Mr. S. K. Agrawal, Dr. Ashok Desai, Ms. Kala Agarwal and Mr. L. Viswanathan have registered themselves in the Independent Directors databank maintained with the Indian Institute of Corporate Affairs (IICA). Further, all the Independent Directors have also cleared the proficiency test conducted by IICA. In the opinion of the Board of Directors of the Company, all Independent Directors possess high integrity, expertise and experience including the proficiency required to discharge the duties and responsibilities as Directors of the Company.

Number of Board Meetings

During the year under review, Four (4) Board Meetings were held on 8th May, 2019, 7th August, 2019, 7th November, 2019 and 4th February, 2020. The maximum gap between any two consecutive Board meetings did not exceed 120 days.

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

Pursuant to Section 178 of the Companies Act, 2013, the Nomination and Remuneration Committee (NRC) has formulated "Nomination and Remuneration Policy" which deals *inter-alia* with the appointment and remuneration of Directors, Key Managerial Personnel, Senior Management and other employees. The said policy is uploaded on the website of the Company and web-link thereto is <https://www.pranavaditya.com/wp-content/uploads/2019/10/nomination-and-remuneration-policy-1.pdf>

The salient features of the policy are as under:

I. Criteria for appointment:

- a. NRC shall identify, ascertain and consider the integrity, qualification, expertise and experience of the person for the appointment as a Director of the Company and recommend to the Board his / her appointment. The Directors shall uphold ethical standards of integrity and probity and shall exercise their duties and responsibilities in the interest of the Company.
- b. A person proposed to be appointed as Director should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. They shall possess appropriate core skills/ expertise/ competencies/ knowledge in one or more fields of finance, law, management, sales and marketing, administration, research and in the context of business and/or the sector in which the company operates. The NRC has the discretion to decide whether qualifications, expertise and experience possessed by a person are sufficient/ satisfactory for the concerned position.
- c. The Company shall comply with the provisions of the Act and Listing Regulations and any other laws if applicable for appointment of Director of the Company. The Company shall ensure that provisions relating to limit of maximum directorships, age, term etc. are complied with.

II. Remuneration of the Whole Time / Executive Director(s) / Managing Director:

- a. The remuneration including commission payable to the Whole Time / Executive Director(s) / Managing Director shall be determined and recommended by the NRC to the Board for approval.
- b. While determining the remuneration of the Executive Directors, following factors shall be considered by the NRC/ Board:
 - Role played by the individual in managing the Company including responding to the challenges faced by the Company
 - Individual performance and company performance so that remuneration meets appropriate performance benchmarks
 - Reflective of size of the Company, complexity of the sector/ industry/ company's operations and the Company's financial position
 - Consistent with recognized best industry practices.

- Peer remuneration
- Remuneration involves balance between fixed and incentive pay reflecting performance objectives appropriate to the working of the Company and its goals.
- Remuneration is reasonable and sufficient to retain and motivate directors to run the company successfully.

III. Remuneration to Non-Executive / Independent Directors:

Sitting Fees: Independent Directors are entitled for sitting fees for attending meetings of the Board or Committee of the Board or for any other purposes as may be decided by the Board, of such sum as may be approved by the Board of Directors of the Company within the overall limits prescribed under the Act and the rules made thereunder, Listing regulations or other applicable law.

Annual Evaluation of Board Performance and its Committee and Individual Directors

Criteria of performance evaluation of the Board Committees and Directors are laid down by Nomination and Remuneration Committee (NRC) of the Company. Further, pursuant to the provisions of Section 178(2) of the Companies Act, 2013 as amended by the Companies (Amendment) Act, 2017, NRC decided to continue the existing method of performance evaluation through circulation of performance evaluation sheets based on SEBI Guidance Note dated 5th January, 2017 and that only Board should carry out performance evaluation of the Board, its Committees and Individual Directors.

The performance evaluation sheets based on aforesaid SEBI Guidance Note, containing the parameters of performance evaluation along with rating scale was circulated to all the Directors. The Directors rated the performance against each criteria. Thereafter, consolidated score was arrived. 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 evaluation of all Directors in the said manner. The performance of the Board, committees and individual directors was found satisfactory.

A meeting of the Independent Directors of the Company was held on 7th November, 2019, in which Independent Directors *inter-alia* reviewed performance of Non-Executive Independent Chairman and other Non-Independent Directors and the Board as a whole through performance evaluation sheets.

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:

- in the preparation of the annual accounts for the year ended 31st March, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- such accounting policies as mentioned in the notes to the Financial Statements for the year ended 31st March, 2020, 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 31st March, 2020 and of the loss of the Company for the year ended on that date;
- 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;
- the annual financial statements for the year ended 31st March, 2020, have been prepared on a going concern basis;

- 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;
- 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, Mr. Pradyumna N. Shah (DIN: 00096793) and Mr. Anand Ramanna (DIN: 00040325) ceased to be members of the Audit Committee w.e.f. 15th August, 2019. Dr. Ashok Desai and Ms. Kala Agarwal, Independent Directors were appointed as members of the Audit Committee w.e.f. 8th May, 2019.

As on 31st March, 2020, the Audit Committee comprises of 4 members viz. Mr. S. K. Agrawal, Independent Director as Chairman, Dr. Ashok Desai, Ms. Kala Agarwal, Independent Directors and Mr. Kamal Mitra, Non-Executive Non-Independent Director. More details on the Audit Committee are given in Corporate Governance Report. All the recommendations made by the Audit Committee during the year under review were accepted by the Board.

Statutory Auditors

In accordance with the provisions of Section 139 of the Act, at the Annual General Meeting ("AGM") held on 21st August, 2017, M/s. Suresh Kumar Mittal & Co., Chartered Accountants (Firm Registration No. 500063N) were appointed as the Statutory Auditors of the Company for a period of 5 years to hold office from the conclusion of the 27th AGM till the conclusion of 32nd AGM, subject to the ratification by members at every AGM.

The requirement to place the matter relating to appointment of Auditors for ratification by Members at every Annual General Meeting was omitted vide notification dated 7th May, 2018, issued by the Ministry of Corporate Affairs. Accordingly, no resolution is proposed for ratification of the appointment of Auditors in the ensuing AGM of the Company.

The Company has received a letter from M/s. Suresh Kumar Mittal & Co., Chartered Accountants confirming that they are eligible for continuing as Statutory Auditors of the Company.

Auditors' Report

The Auditors' Report on the standalone financial statements of the Company for the year ended 31st March, 2020 forms part of this Annual Report. The Auditors' Report does not contain any qualifications, reservations, adverse remarks or disclaimer. In terms of the provisions of Section 143(12) of the Act, no frauds have been reported by the Statutory Auditors in their report for the year under review. Notes to the Financial Statements are self-explanatory and do not call for any further comments.

Secretarial Auditors and Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Act, read with rules thereunder, the Board at its meeting held on 7th November, 2019 had appointed M/s. Kothari H. & Associates, Practicing Company Secretaries as Secretarial Auditors to conduct Secretarial Audit of the Company for the year ended 31st March, 2020. The Secretarial Audit Report issued by Secretarial Auditors in Form No. MR-3 is provided as an "**Annexure 1**" to this Report. The Secretarial Audit Report does not contain any qualifications, reservations or adverse remarks.

Further, in terms of the provisions of the Circular No. CIR/CFD/CMD1/27/2019 dated 8th February, 2019 issued by Securities and Exchange Board of India (SEBI), M/s. Kothari H. & Associates, Practicing Company Secretaries have issued the Annual Secretarial Compliance Report for the financial year ended 31st March, 2020, thereby confirming compliance of the applicable SEBI Regulations and circulars / guidelines issued thereunder by the Company.

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 authorization 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 and Internal Audit. The Internal Audit reports are periodically reviewed by the management and the Audit Committee and necessary improvements are undertaken, if required.

Public Deposits

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

Subsidiaries

During the year under review, your Company does not have any subsidiaries or joint ventures or associate companies as defined under the Act. However, the Company has framed a policy for determining material subsidiaries, which can be accessed at web-link given below:

<https://www.pranavaditya.com/wp-content/uploads/2019/10/psml-policy-on-material-subsidiaries.pdf>

Corporate Governance Report

Your Company has adopted best practices of Corporate Governance and complied with all the requirement of Corporate Governance laid down by SEBI. As per Regulation 34(3) read with Schedule V of the Listing Regulations, a Corporate Governance Report along with Statutory Auditors' Certificate confirming compliance of corporate governance for the year ended 31st March, 2020 is provided separately and forms integral part of this Annual Report.

Management and Discussion Analysis Report

Pursuant to Regulation 34 of the Listing Regulations, Management Discussion and Analysis Report containing information *inter-alia* on industry trends, your Company's performance, future outlook, opportunities and threats for the year ended 31st March, 2020, is provided in a separate section forming integral part of this Annual Report.

Extract of Annual Return

Pursuant to the provisions of Section 92(3) of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014, Extract of the Annual Return in Form MGT-9 as on 31st March, 2020 is annexed as an "**Annexure 2**" to this report and is also available on the website of the Company at <https://www.pranavaditya.com/investor-relations/>

In accordance with the provisions of Section 134(3) (a) of the Act, copy of Annual Return for FY 2018-19 was hosted on the website of the Company and web-link to access the same is https://www.pranavaditya.com/wp-content/uploads/2019/12/annual_return_-_form_mgt-7_-_fy_2018-19.pdf Further, a copy of Annual Return for the year ended 31st March, 2020 will be hosted on the website of the company www.pranavaditya.com

Related Party Transactions

All Related Party Transactions entered during FY 2019-20 were on arm's length basis and in the ordinary course of business. During the year under review, the Company entered into transactions for purchase of cotton from Indo Count Industries Limited, Holding Company which were material related party transactions during FY 2019-20 under Section 188 of the Act and Regulation 23 of the Listing Regulations. Approval of members of the Company was obtained for certain

proposed material RPT with Indo Count Industries Limited (ICIL), Holding Company viz. purchase of cotton from ICIL upto ₹ 2500 Lakhs, Sale of yarn to ICIL upto ₹ 5000 lakhs, availing loan/ corporate guarantee from ICIL upto ₹ 1000 lakhs for FY 2019-20, 2020-21 and 2021-22 at the Annual General Meeting of the Company held on 13th August, 2019.

Pursuant to the provisions of Section 134 of the Act, particulars of contracts/ arrangements with Related Parties crossing threshold limits provided in Section 188 of the Act, are provided in Form AOC-2 forming part of this Annual Report as **“Annexure 3”**. Further, the related party transactions are also provided in the notes to the financial statements.

Prior approval of Audit Committee is obtained for all Related Party Transactions. A statement of all Related Party Transactions is reviewed by the Audit Committee and Board on quarterly basis. Your Company has adopted a policy on Related Party Transactions and is uploaded on the website of the Company at <https://www.pranavaditya.com/wp-content/uploads/2019/10/psml-policy-on-related-party-transactions.pdf>

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

During the year under review, pursuant to the provisions of Section 186 of the Act, 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 body corporate.

Risk Management

The Company has devised Risk Management Policy 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. The details of Risk Management are included in Management discussion and Analysis Report.

Vigil Mechanism / Whistle Blower Policy

Pursuant to the provisions of Section 177(10) of the Act 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 https://www.pranavaditya.com/wp-content/uploads/2019/10/psml_-_whistle_blower_policy_vigil_mechanism.pdf

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 constituted an Internal Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 to look into the complaints relating to sexual harassment at workplace of any woman employee. During the year under review, your Company has not received any complaint pertaining to sexual harassment and no complaint was pending as on 31st March, 2020.

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 Act, read with Rules thereunder is given as **“Annexure 4”** forming part of this Report.

Particulars of Employees and related disclosures

The information required pursuant to Section 197 read with Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014 is provided as **“Annexure 5-(I)”** and **“Annexure 5-(II)”** to this report regarding remuneration of Directors, Key Managerial Personnel and other related disclosure.