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PRANAVADITYA

SPINNING MILLS LIMITED

9th Annual Report 1998 - 99


PRANAVADITYA SPINNING MILLS LIMITED
9th Annual Report 1998-99

BOARD OF DIRECTORS	:	SHRI KANTILAL K. SHETH	Chairman
		SHRI HARKISHON N. UDANI	Vice Chairman
		SHRI MADHUSUDAN D. VORA	Director
		SHRI BHARAT P. SHAH	Director
		SHRI HASMUKHLAL S. PARIKH	Director
		SHRI UDAY S. KOTAK	Director
		SHRI YESHWANT R. SHAH	Director
		SHRI PREMAL H. UDANI	Director
		SHRI PARAG H. UDANI	Managing Director

COMPANY SECRETARY & FINANCE MANAGER : SANDEEP GANDHI

BANKERS : BANK OF BARODA
UNION BANK OF INDIA

AUDITORS : M/s. VINOD VASA & ASSOCIATES
Chartered Accountants,
Jumna Building,
292, Tilak Marg, Dhobi Talao,
Mumbai - 400 002.

CORPORATE OFFICE : Sakhar Bhavan, 5th Floor,
Nariman Point,
Mumbai - 400 021.

REGISTERED OFFICE & MILL : Village : Alte
Taluka : Hatkanangale
District : Kolhapur
Maharashtra : 416 109

SHARE TRANSFER AGENTS : R & D CONSULTANTS PVT. LTD.
610, Dalamal Towers,
211, Nariman point,
Mumbai - 400 021.
Tel : 283 4374 / 283 4347

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PRANAVADITYA SPINNING MILLS LIMITED

NOTICE

Notice is hereby given that the **Ninth Annual General Meeting** of the members of **PRANAVADITYA SPINNING MILLS LTD.** will be held on Tuesday, the 21st September, 1999, at 3.00 p.m. at the Registered Office of the Company at Village Alte, Hatkanangale Taluka, Kolhapur District, Maharashtra - 416 109 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999, and the Audited Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Kantilal K. Sheth who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Harkishon N. Udani who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Yeshwant R. Shah who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. The Proxies, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 13th September, 1999, to 21st September, 1999, (both days inclusive).

4. The Company's Equity Shares are listed at : (1) The Stock Exchange, Mumbai (Regional Stock Exchange), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001; and (2) The Stock Exchange, Ahmedabad, Kamdhenu Complex, Opp. Sahajanand College, Panjarapole, Ahmedabad - 380 015. The Annual Listing Fees as prescribed has been paid to each of these Stock Exchanges.
5. Members are requested to :
 - (a) Notify any change in their registered address along with pin code numbers to Company's Share Transfer Agent, M/s. R & D Consultants Private Limited, at 610, Dalamal Towers, 211, Nariman Point, Mumbai - 400 021.
 - (b) Quote their respective ledger folio numbers on every communication with the Company and / or Share Transfer Agent.
 - (c) Bring their copies of Annual Report to the meeting. No copies of the Annual Report will be available for distribution to the members at the meeting.
 - (d) Deposit duly filled-in attendance slip annexed to the Proxy Form at the entrance to the place of meeting and not to bring with them any other person who is not a member / proxy.
 - (e) Write to the Company at least 10 days before the date of the meeting regarding any information on accounts so as to enable the Company to keep the information ready.

By Order of the Board of Directors

Place : Mumbai
Date : 29th July, 1999.

Registered Office:
Village Alte,
Taluka Hatkanangale,
Kolhapur - 416 109
Maharashtra.

SANDEEP GANDHI
Company Secretary &
Finance Manager

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting their **Ninth Annual Report** togetherwith the Audited Statement of Accounts for the year ended 31st March, 1999.

1. FINANCIAL RESULTS :

	For the Year ended 31.03.1999 (Rs.in Lacs)	For the Year ended 31.03.1998 (Rs. in Lacs)
Gross Income	<u>4223.70</u>	<u>4227.81</u>
Profit before Depreciation Interest and Tax	<u>396.92</u>	<u>588.18</u>
Less: Interest	<u>311.54</u>	<u>365.71</u>
Depreciation	<u>80.57</u>	<u>147.84</u>
Profit before Tax	<u>4.81</u>	<u>74.63</u>
Provision for Tax	<u>0.40</u>	<u>7.85</u>
Net Profit	<u>4.41</u>	<u>66.78</u>
Add: Balance in Profit & Loss Account	<u>450.36</u>	<u>383.58</u>
Profits available for Appropriation	<u>454.77</u>	<u>450.36</u>
Balance Carried to Balance Sheet	<u>454.77</u>	<u>450.36</u>

2. OPERATIONS:

The Directors are happy to inform that during the year, your Company was Awarded ISO 9002 Certification by Bureau Veritas Quality International. The Company is following Standard laid down by ISO 9002 and maintaining High Quality Standard for its Products.

During the Year recessionary trend continued in all sectors of the Economy and more particularly in the Textile Sector. While the Raw Material prices and other input cost increased, there was resistance in sale prices which has resulted in decrease in Profits for the year under review. There is also marginal decrease in Sale from Rs.4121 lacs to Rs.4000 lacs. All efforts are being made to maximise production and efficiency.

3. FUTURE PROSPECTS:

There is good improvement in the demand for Cotton Yarn both in Domestic and Overseas Markets and it is expected that this position would improve further. Your Company is taking various innovative steps to improve Quality and increase exports to Non-Quota Countries. Suitable steps are being taken to change

the product mix according to Market requirements and to continue with dedicated buyers on long term basis.

The Company has applied to Maharashtra State Electricity Board (MSEB) to put up Captive Power Plant of 1.9 MW capacity at cost of Rs.550 lacs and subject to their permission, the Company plans to take necessary steps for implementation of the Project which would result into substantial reduction in Power Cost and uninterrupted Quality Power being available. The Company has taken steps to apply for Term Loan with Bank and Financial Institution for above Project and also to meet with its requirement of Long Term Working Capital.

4. DIVIDEND :

In view of low profits & to conserve resources, your Directors do not recommend dividend for the financial year under review.

5. DEPOSITS :

As on the date of this report, none of the deposits are overdue for repayment.

6. DIRECTORS :

Shri Kantilal K. Sheth, Shri Harkishon N. Udani, and Shri Yeshwant R. Shah, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The Board recommend their appointment in Company's interest.

7. PERSONNEL :

There was no employee covered by the Provisions of Section 217 (2A) of the Companies Act, 1956.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

Information in accordance with the Provisions of Section 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

9. AUDITORS :

M/s. Vinod Vasa & Associates, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956. Accordingly, the said auditors being eligible,



PRANAVADITYA SPINNING MILLS LIMITED

offers themselves for re-appointment. Members are requested to appoint and fix their remuneration.

10. AUDITORS' REPORT :

The notes to the accounts referred to in the Auditors' Report and observations made by the Auditors are self contained and self-explanatory and also have been properly dealt in the notes to the Accounts and therefore do not call for further explanation under Section 217(3) of the Companies Act, 1956.

11. Y2K COMPLIANCE :

All Software and Hardware used in recording Financial Transactions and most of the Hardware used in other operations are Y2K Compliant.

The estimated cost of Y2K Compliance is not expected to be significant. The Company has made necessary contingency plans to cover the possibility of any of the Hardware or Software to be non- Y2K Compliant.

12. INSURANCE :

All the properties of the Company have been adequately insured against fire, marine and other risks.

13. ENVIRONMENT, SAFETY AND POLLUTION CONTROL :

Your Company has been taking proper care in complying with all statutory requirements relating to safety, environment and pollution control.

14. ACKNOWLEDGEMENT :

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions and the Banks during the year under review.

The Directors also wish to record their appreciation for the sincere and dedicated efforts of Executives, Staff and Workers of the Company for its success.

For and on behalf of the Board of Directors

HARKISHON N. UDANI

Vice - Chairman

PARAG H. UDANI

Managing Director

Place : Mumbai

Date : 29th July, 1999.

Registered Office:

Village Alte,
Taluka Hatkanangale,
Kolhapur - 416 109
Maharashtra.

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ANNEXURE - I

Information pursuant to 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 Directors' Report.

(I) Conservation of Energy :

a) Energy Conservation Measures taken :

Energy Conservation is an ongoing process within the Company. The Company has been making continuous efforts for enhancement in capacity utilisation, cost competitiveness and quality through systematic process monitoring and adherence to technological norms.

(b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy : NIL

(c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

The above measures will help in reducing cost.

(d) FORM - A

(i) Power and Fuel Consumption :

	<u>1998-99</u>	<u>1997-98</u>
1. Electricity :		
(a) Purchased Units ('000)	8723.75	9075.50
Total Amount (Rs. in lacs)	310.59	320.37
Rate per Unit	3.78	3.53
(b) Own Generation		
Through Diesel Generator		
- Units ('000)	1326.11	699.38
Unit per litre of Diesel Oil	3.48	3.44
Cost per Unit	3.07	3.36
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others	Nil	Nil

(ii) Consumption per Unit of Production :

Production of yarn (M.T.)	4139.85	3866.79
Electricity per M.T. of production	2.43	2.53

(II) Technology Absorption :

FORM - B

i) Research and Development:

- Specific areas in which R & D carried out by the Company. - R & D carried out for increasing the strength of the yarn.
- Benefits derived as a result of above R & D. - Reduction in cost of output, decrease in wastages and improvement in quality of yarn.
- Future plan of action. - The above activities shall continue and more efforts in this direction will be made.
- Expenditure on R & D :

(a) Capital	No system of separate maintenance of accounts have been developed. The expenditure is merged with various other heads of expenses.
(b) Recurring	
(c) Total	
(d) Total R & D expenditure as a percentage of total turnover	

ii) Technology absorption, adaptation and innovation :

- Efforts, in brief made towards technology absorption, adaptation and innovation. - The plants are based on indigenous technology.
- Benefits derived as a result of above efforts, e.g., product improvement, cost reduction, product development, import substitutions, etc. - Nil
- Details of imported technology - No technology has been imported during the last 5 years.

(III) Foreign Exchange Earnings and Outgo :

	<u>1998-99</u>	<u>1997-98</u>
	(Rs.in lacs)	(Rs. in lacs)
Total Earnings (F.O.B. Value)	1131.01	2247.40
Total Outgo	64.85	184.49



PRANAVADITYA SPINNING MILLS LIMITED

AUDITORS' REPORT

To,
The Shareholders,
PRANAVADITYA SPINNING MILLS LIMITED,
Alte.

We have audited the annexed Balance Sheet of PRANAVADITYA SPINNING MILLS LIMITED, as at 31st March, 1999, and also the annexed Profit & Loss Account of the company for the year ended on that date and report that :

I. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks of books and records of the company as are considered appropriate and on the basis of information and explanations given to us during the course of our audit, we state on the matters specified in Paragraphs 4 & 5 of the said order that :

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As informed to us the fixed assets have been physically verified by the management at reasonable intervals. According to the information given to us, no material discrepancies have been noticed by the management on such physical verification as compared to available records.
2. Certain machineries were purchased from lessor on termination of lease during the year. The said machineries have been revalued based on independent valuation report of a professional valuer. None of the other Fixed Assets have been revalued during the year.
3. The stocks of the finished goods lying with the company at all its locations, Stores, Spare parts and Raw material have been physically verified during the year by the management. In our opinion, the frequency of such verification during the year is reasonable. Discrepancies, noticed on verification between the physical stocks and the books/records have been properly dealt with in the books of accounts. The company has relied on the stock statements periodically sent by the Sales depots/Vendors in so far as the stocks of finished goods lying with such parties on behalf of the company.
4. According to the information and explanations given to us, the procedure of physical verification of stocks as followed by the management, in our opinion, though adequate in relation to the size of the Company and nature of its business, requires further strengthening. No material discrepancy has been noticed on such verification of the stocks as compared to the book records.
5. In our opinion, and on the basis of such checks as were considered necessary, and according to the information and explanations given to us, the valuation of the stock as referred to hereinabove

is fair and proper and in accordance with the normally accepted accounting principles subject to note no. 4(b) in schedule 21 and is not on the same basis as in preceding year.

6. In our opinion, the rates of interest and other terms and conditions of loans, secured or unsecured, taken from companies, firms or other parties listed in the register maintained under Section 301 and/or from the companies under the same management as defined under sub-section 1B of section 370 of the Companies Act, 1956, are prima facie not prejudicial to the interest of the Company except that the rate of interest paid on some of them is slightly higher than those on the borrowings from bankers, which is explained to be because of non-furnishing of any security against these loans. Section 370 has since been made inapplicable by section 17 of the Companies (Amendment) Ordinance, 1999.
7. The Company has not granted any loans to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, or to any company under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956, notwithstanding the inapplicability of section 370 of the Companies Act, 1956, with effect from 31st October, 1998, vide section 17 of the Companies (Amendment) Act, 1999. In respect of interest free loans granted to the employees, repayment is received as stipulated.
8. In our opinion and according to the explanations given to us, there are adequate internal controls procedures commensurate with the size and nature of the business of the Company with regard to purchase of Stores, Raw materials including Components, Plant and Machinery, equipments and other assets as also in regard to sale of goods, through personal control and supervision of the management.
9. In our opinion and according to the information and explanations given to us, transactions of purchase of goods and materials and sale of goods and materials made in pursuance of contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, as aggregating during the year to Rs.50,000/- or more in respect of each party, have been made at prices which are reasonable having regards to the prevailing market prices for such goods and materials where such prices are available or the prices at which transactions for similar goods or materials have been made with other parties.
10. The Company has a regular procedure for determination of unserviceable, damaged raw material, stores and finished goods. Adequate provisions have been made in the accounts for the loss arising on items so determined.