



PRANAVADITYA SPINNING MILLS LIMITED

AN ISO 9002 COMPANY

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**11th ANNUAL REPORT
2000-2001**

**PRANAVADITYA SPINNING MILLS LIMITED**

BOARD OF DIRECTORS : SHRI HARKISHON N. UDANI Chairman
SHRI YESHWANT R. SHAH Director
SHRI HASMUKHLAL S. PARIKH Director
SHRI SUMAN B. SHAH Director
SHRI PARAG H. UDANI Managing Director
SHRI F. REHMAN Technical 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 : 92, Mittal Chambers,
Nariman Point,
Mumbai - 400 021.

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

SHARE TRANSFER AGENTS : **R & D CONSULTANTS PVT. LTD.**
610, Dalamal Towers,
211, Nariman Point,
Mumbai - 400 021.
Tel. : 283 4374 / 2834347

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NOTICE

Notice is hereby given that the **Eleventh Annual General Meeting** of the members of **PRANAVADITYA SPINNING MILLS LTD.** will be held on Friday, the 28th September, 2001, at 4.00 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, 2001, 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 Hasmukhlal S. Parikh who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Yeshwant R. Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS :

5. To appoint a Director in place of Shri Suman B. Shah, who has been appointed an Additional Director of the Company by the Board of Directors with effect from January 27, 2001, pursuant to Article 110 of the Articles of Association of the Company and who, under Section 260 of the Companies Act, 1956, holds office up to the date of the forthcoming Annual General Meeting but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a shareholder proposing his candidature for the office of Director under the provisions of Section 257 of the Act.
6. To appoint a Director in place of Shri Harkishon N. Udani, who has been appointed an Additional Director of the Company by the Board of Directors with effect from April 30, 2001, pursuant to Article 110 of the Articles of Association of the Company and who, under Section 260 of the Companies Act, 1956, holds office up to the date of the forthcoming Annual General Meeting but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a shareholder proposing his candidature for the office of Director under the provisions of Section 257 of the Act.

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 21st September, 2001, to 28th September, 2001, (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

SANDEEP GANDHI

Place : Mumbai

Company Secretary &

Date : 21st August, 2001.

Finance Manager

Registered Office:

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



PRANAVADITYA SPINNING MILLS LIMITED

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

Item No. 5

Shri Suman B. Shah was appointed as an Additional Director of the Company by the Board of Directors in their meeting held on 27th January, 2001. Under Article 110 of the Companies Act, 1956, he hold the office only upto the date of this Annual General Meeting. The Company has already received notice from member signifying their intention to propose him as candidate to the office of the Director of the Company with a deposit of Rs.500/- which shall be refunded if he is elected as Director of the Company.

Except Shri Suman B. Shah, no other Directors are interested or concerned in the above resolution.

Item No. 6

Shri Harkishon N. Udani was appointed as an Additional Director of the Company by the Board of Directors in their meeting held on 30th April, 2001. Under Article 110 of the Companies Act, 1956, he hold the office only upto the date of this Annual General Meeting. The Company has

already received notice from member signifying their intention to propose him as candidate to the office of the Director of the Company with a deposit of Rs.500/- which shall be refunded if he is elected as Director of the Company.

Except Shri Harkishon N. Udani and Shri Parag H. Udani, who is relative of Shri Harkishon N. Udani no other Directors are interested or concerned in the above resolution.

By Order of the Board of Directors

SANDEEP GANDHI

Company Secretary &
Finance Manager

Place : Mumbai

Date : 21st August, 2001.

Registered Office:

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

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DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting their **Eleventh Annual Report** together with the Audited Statement of Accounts for the year ended 31st March, 2001.

1. FINANCIAL RESULTS :

	For the Year ended 31.03.2001 (Rs. in Lacs)	For the Year ended 31.03.2000 (Rs. in Lacs)
Gross Sales	4560.39	4050.19
Profit before Depreciation Interest and Tax	608.28	532.14
Less : Interest	340.04	282.73
Depreciation	194.67	179.07
Profit before Tax	73.57	70.34
Provision for Tax	6.25	8.00
Net Profit	67.32	62.34
Add : Balance in Profit & Loss Account	517.11	454.77
Profits available for Appropriation	584.43	517.11
Balance Carried to Balance Sheet	584.43	517.11

2. REVIEW OF OPERATIONS:

The Company has registered increase in sale by 12% to Rs.4560 lacs compared to Rs.4050 lacs during the preceding year. The Net Profit increased marginally to Rs.67.32 lacs in the year under report compared to that of Rs.62.34 lacs of the preceding year after provision of depreciation and tax.

In spite of substantial increase in turnover and also exports, the margins have come under pressure due to the fact that the supply position in the textile industries is more than the demand both in export and domestic markets with the result that the average realisation per kg. is going down, while increase in raw materials and other costs are somewhat high.

The Company is doing best to reduce cost and make optimum use of capacities.

3. OUTLOOK FOR THE CURRENT YEAR:

The effects of recession in Domestic Market and International Market still persist and customers are opting for yarns at lower prices and demanding higher qualities. Exports of Garments and Fabrics have also come down to certain extents reducing demands for yarns. The Company is watching these developments and evolving strategies to tackle them. With good monsoon the Domestic Cotton Crop is expected to be

substantial and International prices of cotton have decreased. This trend is likely to continue, the Company is striving for higher quality, increase in productivity and diversifying for product mix. It is expected that market condition should improve in next few months and the Company is evolving strategies from time to time to tackle the situation. The Directors are happy to inform you that the Company has been re-certified by BVQI for ISO 9002 for further period of three years.

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 :

Pursuant to introduction of Corporate Governance, it has become necessary to restructure the Board. Mr. Bharat P. Shah, Mr. Madhusudan D. Vora, Mr. Uday S. Kotak and Mr. Premal H. Udani have resigned from the Board on 01.12.2000, 01.12.2000, 27.01.2001 and 30.04.2001 respectively. The Board has recorded with appreciation the valuable services rendered by them during their tenure of office.

Mr. Madhusudan D. Vora, who was associated with the Company since its inception as a Director of the Company, passed away on 3rd July, 2001. During his association with the Company, he made significant contribution to the Company's growth. The Board has placed on record its deep sense of loss on the passing away of Mr. Madhusudan D. Vora.

Mr. Hasmukhlal S. Parikh and Mr. Yeshwant R. Shah will retire at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment as Directors.

Mr. Suman B. Shah and Mr. Harkishon N. Udani are being appointed as an Additional Director with effect from 27.01.2001 & 30.04.2001 respectively. They hold office upto the date of Annual General Meeting and being eligible, offers themselves for re-appointment as Director.

7. DIRECTORS' RESPONSIBILITY STATEMENT :

In compliance of Section 217(2AA), as incorporated by the Companies (Amendment) Act, 2000 your Directors confirm :

- (a) that in the preparation of the annual accounts, the applicable standards have been materially followed subject to Note no. 4 & 7 of Schedule 19 to the Account.
- (b) that the selected accounting policies were applied consistently and the Directors 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 financial year and of the profit or loss of the Company for the aforesaid period.



PRANAVADITYA SPINNING MILLS LIMITED

- (c) that proper and sufficient care has been taken 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 annual accounts have been prepared on a going concern basis.

8. CORPORATE GOVERNANCE :

(a) Board of Directors :

The Company has an optimum combination of Executive and Non-Executive Directors. The Non-Executive Independent Directors constitute more than 50% of the composition of the Board. The Board is headed by the Non-Executive Chairman, Mr. Harkishon N. Udani and is composed of persons with considerable professional experience in varied field.

(b) Audit Committee :

The Company has an Audit Committee consisting of 3 (three) Non-Executive Directors of the Company, viz. Mr. Hasmukhlal S. Parikh, Mr. Harkishon N. Udani and Mr. Yeshwant R. Shah. They give their observations and recommendations on internal audit reports, accounts, appointments and removal of external auditors, fixation/revision of audit fees and payment of any other services of the auditors. The members of the Audit Committee have financial and accounting knowledge.

(c) Board Procedures :

The Company regularly holds Board Meetings and the maximum time gap between the two meetings was not more than three calendar months. During the year 1st April, 2000, to 31st March, 2001, the Company has held 7 (seven) meetings of the Board.

The Non-Executive Directors are accomplished professionals in the corporate and business world. It is the practice of the Company to give full information to the Board on all items.

(d) Shareholders :

The Company regularly submits quarterly results to the Mumbai and Ahmedabad Stock Exchanges on which the shares of the Company are listed. The said results are also published in the newspapers.

The Board of the Company has constituted a Shareholders' / Investors' Grievance Committee comprising of Mr. Parag H. Udani (Chairman), Mr. Hasmukhlal S. Parikh and Mr. Yeshwant R. Shah to look into the Investors complaints and their redressal.

9. DEMATERIALISATION OF EQUITY SHARES :

As a regulatory support to shift the market from physical form to electronic form, the Securities and Exchange Board of India (SEBI) has directed that settlement of transactions would compulsorily be in electronic form. The equity shares of your Company were brought within this purview with effect from April 30, 2001. The Company has entered into necessary agreements with NSDL and CDSL, the two Depositories, to facilitate the trading in shares in dematerialised form. The ISIN provided to the Company is INE 569DO1010.

10. PERSONNEL :

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

11. 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.

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

13. 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.

14. INSURANCE :

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

15. 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.

16. 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

Place : Mumbai

Date : 21st August, 2001.

HARKISHON N. UDANI

Chairman

Registered Office:

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

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 of the cost of production of goods :**

The above measures will help in reducing cost.

(d) FORM - A**(i) Power and Fuel Consumption :**

	2000-2001	1999-2000
1. Electricity :		
(a) Purchased Units ('000)	8570.86	6094.59
Total Amount (Rs. in lacs)	328.79	251.03
Rate per Unit	3.84	4.12
(b) Own Generation		
Through Diesel Generator		
- Units ('000)	726.63	3919.44
Unit per litre of Diesel Oil	3.50	3.58
Cost per Unit	4.28	3.00
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others	Nil	Nil

(ii) Consumption per Unit of Production :

Production of yarn (M.T.)	3549.48	3680.08
Electricity per M.T. of production	2.62	2.72

(II) Technology Absorption :**FORM - B****i) Research and Development**

1. Specific areas in which R & D carried out by the Company. -- R & D carried out for increasing the strength of the yarn. The efforts of the Company also directed towards improvement of manufacturing process, yarn quality and productivity.
2. Benefits derived as a result of above R & D. -- Reduction in cost of output, decrease in wastages and improvement in quality of yarn.
3. Future plan of action. -- The above activities shall continue and more efforts in this direction will be made.
4. 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, adoption and innovation :

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

(III) Foreign Exchange Earnings and Outgo :

	2000-2001	1999-2000
	(Rs. in lacs)	(Rs. in lacs)
Total Earnings (F.O.B. Value)	920.45	458.59
Total Outgo	42.38	23.89



PRANAVADIYA SPINNING MILLS LIMITED

AUDITORS' REPORT

To,
The Shareholders,
PRANAVADIYA SPINNING MILLS LIMITED
Alte, Maharashtra.

We have audited the attached Balance Sheet of PRANAVADIYA SPINNING MILLS LIMITED, as at 31st March, 2001 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 (Auditor's 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 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. None of the 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 Materials have been physically verified during the year by the Management. *In our opinion, the frequency and extent of such verification needs to be increased.* Discrepancies, if any, 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. There is weight gain at the production stage which is stated to be on account of consumption of imported cotton, favourable climatic conditions and conditioning of yarn during the production process.
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 and is 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 not prima facie prejudicial to the interest of the Company except that the rate of interest is 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) Act, 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(1B) 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 being received as stipulated *except in case of ex-employees. The appropriate recovery measures are being taken for the same.*
8. In our opinion and according to the explanations given to us, there are adequate internal control 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 market 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.
11. According to the information and explanations given to us, the Company has complied with the provisions