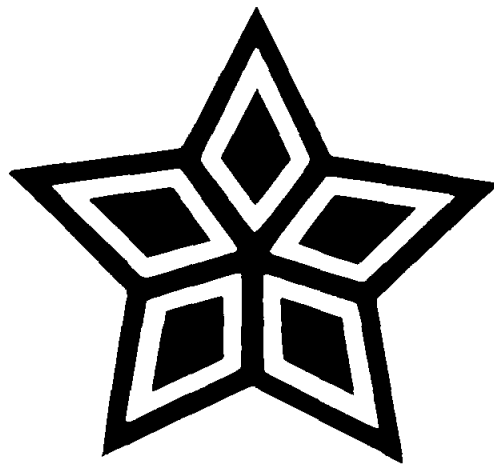


**PRANAVADITYA
SPINNING MILLS LIMITED**



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12th Annual Report 2001-2002



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 MAHENDRA S. SHAH Director
SHRI B.R. NAYAK Director (Finance & Commercial)

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 / 283 4347

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NOTICE

Notice is hereby given that the **Twelveth Annual General Meeting** of the members of **PRANAVADITYA SPINNING MILLS LTD.** will be held on Friday, the 27th September, 2002, 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, 2002, 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 Harkishon N. Udani who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Sumanlal B. 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 B.R. Nayak, who has been appointed as an Additional Director of the Company by the Board of Directors with effect from October 17, 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 Mahendra S. Shah, who has been appointed as an Additional Director of the Company by the Board of Directors with effect from April 15, 2002 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.
7. To consider and, if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') or any re-enactments thereof, and the Articles of Association of the Company, and any other approvals / consents / sanctions / permissions as may be necessary, Mr. B.R. Nayak be and is hereby appointed as Executive

Director, designated as 'Director - Finance & Commercial', for a period of five years with effect from October 17, 2001, upon terms and conditions as set out in the Agreement dated December 21, 2001 entered into by the Company with him, submitted to this meeting for the purpose of ratification, which Agreement is hereby specifically approved and ratified with liberty to the Board of Directors of the Company ('the Board') to alter and vary the terms and conditions of the said Agreement from time to time and in such manner as may be agreed to by the Board and Mr. B.R. Nayak, but so as not to exceed the limits specified in Schedule XIII to the Act or any amendment thereto or re-enactments thereof, with effect from such dates as may be decided by it.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things as may be considered necessary to give effect to the aforesaid resolution".

8. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of sections 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956, and subject to such sanction as may be necessary, the Company hereby approves the re-appointment of Shri Parag H. Udani as Managing Director of the Company for a period of 3 (three) years with effect from 16th September, 2002, on the remuneration and upon the terms and conditions set out in the Explanatory Statement relating to this Resolution with liberty and powers to the Board of Directors to alter and vary the terms and conditions and the remuneration in such manner as the Board of Directors may deem fit and as is acceptable to Shri Parag H. Udani within the limits specified in Schedule XIII to the Companies Act, 1956, or any amendment thereto provided that with such alterations or variations the salary payable to Shri Parag H. Udani shall not exceed Rs. 70,000/- per month.

RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation by the Central Government to Paragraph 1(A) of Part II, Section II to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorised to vary or increase the remuneration, including salary, commission, perquisites, allowances, etc. within such prescribed limit or ceiling and the Agreement between the Company and Shri Parag H. Udani be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Members of the Company in General Meeting.

RESOLVED FURTHER THAT The Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."



PRANAVADITYA SPINNING MILLS LIMITED

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and are hereby altered as follows:

- (a) The following definitions shall be added and included in Article 2 of the Articles of Association after the item of definition of "seal" and before the sub-clause beginning with the words "Any words or expressions"

"Beneficial Owner" shall mean the Beneficial Owner as defined in Clause (a) of Sub-section (1) of Section 2 of the Depositories Act, 1996.

"Depositories Act, 1996" shall include any statutory modification or re-enactment thereof for the time being in force.

"Depository" shall mean a Depository as defined under Clause (e) of Sub-section (1) of Section 2 of the Depositories Act, 1996."

"SEBI" shall mean the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

"Record" includes the records maintained in the form of books or stored in a computer or in such other form or media as may be determined by regulations made by the SEBI.

"Security" shall mean such security as may be specified by the SEBI from time to time.

- (b) To insert the following Article after the existing Article 20 and to be numbered as 20-A:

'20-A save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any Share or whose name appears as the beneficial owner of Shares in the records of the Depository, as the absolute owner thereof and accordingly shall not (except as ordered by the Court of Competent Jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof'.

- (c) To insert the following Article after the existing Article 14 and to be numbered as 14-A:

'14-A. Notwithstanding anything contained herein, the Company shall be entitled to dematerialise its shares, debentures and other securities pursuant to the Depositories Act, 1996 and to offer its shares, debentures and other securities for subscription in a dematerialised form. The Company shall further be entitled to maintain a Register of Members with the details of Members holding shares both in material and dematerialised form in any media as permitted by the law including any form of electronic media.

Provided however that the provisions relating to progressive numbered shall not apply to the shares, debentures and other securities of the Company which have been dematerialised'.

- (d) To insert the following Article after the existing Article 51 and to be numbered as 51-A:

'51-A. In the case of transfer of shares, debentures and other securities where the company has not issued any certificates and where such shares, debentures and other securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply'.

- (e) To insert the following Article after the existing Article 74 and to be numbered as 74-A:

74-A -Passing of Resolutions by Postal Ballot:

- Notwithstanding anything contained in these Articles, pursuant to Section 192A of the Companies Act, 1956, the Company may, and in the case of resolution relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot (including voting by electronic mode), shall, get any resolution passed by means of a postal ballot (including voting by electronic mode) instead of/in addition to transacting the business in the General Meeting of the Company. Where the Company decides to pass any resolution by postal ballot, it shall send a notice by registered post acknowledgment due, or by any other method as may be prescribed by the Central Government in this behalf to all the shareholders, alongwith draft resolution explaining reasons thereof, and requesting them to send their assent or dissent in writing on a postal ballot, in postage pre-paid envelope to be provided by the Company, within a period of 30 days or within such period as may be prescribed by the Central Government from the date of posting of the notice.
- If a resolution is assented by a requisite majority of the shareholders by means of postal ballot (including voting by electronic mode), it shall be deemed to have been duly passed at a General Meeting in that behalf'.

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 Proxy, 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, 2002, to 27th September, 2002, (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.
 - (f) Consider dematerialising the equity shares held by them.
 - (g) As required in terms of paragraph VI (A) of Clause 49 of The Listing Agreement, the details of the Directors retiring by rotation and eligible for re-appointment are furnished below:

Shri Harkishon N.Udani

Shri Harkishon N.Udani is a Director of the Company since the incorporation of the Company, aged 68 Years, B.S.C., L.L.B., is a Chairman of the Company since 1998. He is having 37 years of experience in Textile Industry.

Outside Directorship : 1.The Asok Textiles Ltd.2. Aakruti Holdings Ltd.3. Ajit Garments Pvt Ltd.4. Snehpren Investments

Pvt. Ltd. 5. Priyanka Securities & Commercial P. Ltd. 6. Jyotprakash Investments Pvt.Ltd. 7. Pranav Intermediates Pvt.Ltd. 8. Aditya Intermediate Pvt. Ltd. 9. The Cotton Textiles Export Promotion Council.

Committee Membership: None

Shri Sumanlal B.Shah

Shri Sumanlal B.Shah, aged 53 years appointed as Director in the Company w.e.f. 27th January 2001. He has 30 years of experience in different areas of Business Management and his expertise extends to Finance, Banking, Commercial and General Administration.

Outside Directorship : Kotak & Co. Limited

Committee Membership : None

Shri B.R.Nayak:

Shri B.R.Nayak, aged 43 years is an MBA (Finance). He has more than 20 years of experience in Accounts, Finance and Business Administration. Prior to joining the Company, he was Administrative Officer at Hindustan Lever Group of Companies

Outside Directorship : None

Committee Membership : None

Shri Mahendra S.Shah:

Shri Mahendra S.Shah, aged 62 years, is B.Com. and has been with M/s. Keshavlal Talakchand Group for over 35 years, in various Management position. He has 40 years of experience in different areas of taxation and his expertise extends to Banking, Accounts and General Administration.

Outside Directorship : Kaytee Cotsynth Limited

Committee Membership : None

Shri Parag H.Udani :

Shri Parag H.Udani, aged 41 years, is B.Com, MBA (Finance) from University of California. He has 15 years of experience in various fields of the Textile Industry. He is the Chief Promoter of the Company and holding the position as Managing Director in the Company since 1997.

Outside Directorship : 1. Arukhi Holdings Ltd 2. Ajit Garments Pvt. Ltd. 3. Snehpren Investments Pvt. Ltd. 4. Priyanka Securities & Commercial Pvt. Ltd 5. Jyotprakash Investments Pvt. Ltd. 6. Pranav Intermediates Pvt. Ltd. 7. Aditya Intermediate Pvt. Ltd 8. E-Commerce Technologies (I) Pvt. Ltd.

Committee Membership : None

By Order of the Board of Directors

Place : Mumbai
Date : 23rd August, 2002

Harkishon N. Udani
Chairman

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. 6

Shri Mahendra S. Shah was appointed as an Additional Director of the Company by the Board of Directors in their meeting held on 15th April, 2002. Under Articles 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 his 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 Mahendra S. Shah, no other Directors are interested or concerned in the these resolutions.

Item No. 5 & 7

The Board, at its meeting held on October 17, 2001, appointed Shri B.R.Nayak as an Additional Director of the Company with effect from October 17, 2001 under Section 260 of the Companies Act, 1956 ('the Act'). Shri B.R.Nayak holds office upto the date of the forthcoming Annual General Meeting, but is eligible for re-appointment. The Company has received a notice in writing from a member alongwith the requisite fees proposing the candidature of Shri B.R.Nayak for the office of Director under the provisions of Section 257 of the Act.

Shri B.R.Nayak has a good and varied experience of over twelve years of finance and commercial functions. He joined the Company in the initial stages of project implementation and has held various positions in the Company at senior management level. Shri B.R.Nayak significantly contributed to the growth and efficient working of the Company. In recognition of this, the Board at its meeting held on, October 17, 2001 appointed Shri. B.R.Nayak as Executive Director designated as 'Director -Finance & Commercial for a period of five years effective October 17, 2001. The Company has, subject to the approval of the shareholders, entered into an Agreement with Shri. B.R.Nayak on December 21, 2001.

The Agreement entered into between the Company and Shri B.R.Nayak contains the following broad terms and conditions, which are in accordance with the provisions of Schedule XIII to the Companies Act., 1956.

Remuneration:

- a. Salary: Rs.24,000/- (Rupees Twenty Four Thousand only) per month. This will include Dearness Allowance and all other allowances not otherwise specified herein.
- b. Perquisites as follows :
 - i) Contribution to Provident Fund to the extent the same are not taxable under the Income Tax Act.
 - ii) Gratuity as per the provisions of the Payment of Gratuity Act, or as per Gratuity Scheme of the Company whichever is higher.
 - iii) Provision of Car with driver for use on Company's business and telephone at residence.
- c. Minimum Remuneration :
In the event of no profits or inadequacy of profits in any year the Company shall pay to Shri B.R.Nayak, the aforesaid remuneration by way of salary and perquisites

not exceeding the limits specified in Part II of Schedule XIII to the Companies Act, 1956.

This may be treated as an abstract under Section 302 of the Companies Act, 1956, of the terms of the Agreement with Shri B.R.Nayak.

The Agreement entered into with the Executive Director is available for inspection by the members of the Company at the Registered Office at Village Alte, Taluka Hatkanangale, P.B.No.2, Dist. Kolhapur - 416 109, Maharashtra, on all working days between 11.00 a.m and 1.00 p.m., except Saturdays, upto the date of the Annual General Meeting.

The Director recommend adoption of the resolution at Item No.5 & 7.

Shri B.R.Nayak is deemed to be concerned or interested in the these resolutions. None of the other Directors is concerned or interested in the resolution.

Item No.8

The Members, at the Extra-Ordinary General Meeting held on 20th December, 1997, had approved the appointment of Shri Parag H. Udani as Managing Director of the Company for a period of five years with effect from 16th September, 1997. The Board of Directors of the Company at the meeting held on 23rd August, 2002, has, subject to the approval of the Members, re-appointed Shri Parag H. Udani as Managing Director of the Company for a further period of 3 (three) years with effect from 16th September, 2002, on terms as to remuneration approved by the Remuneration Committee and set out herein.

Shri Parag H. Udani, aged 41 years, has done MBA in Finance from University of California. He joined the Company in September, 1992 as Director and has been appointed as Managing Director with effect from September, 1997 and holds the position since that date.

Shri Parag H. Udani, Managing Director, subject to the supervision and control of the Board of Directors shall carry out such duties and perform such other functions and services as shall, from time to time, be assigned / entrusted to him by the Board of Directors.

Shri Parag H. Udani will not be liable to retire by rotation.

Schedule XIII to the Companies Act, 1956, has been further amended vide Notification No. GSR 36 (E) dated 16th January, 2002, issued by the Central Government. The new para 1 *inter alia* provides that the minimum remuneration mentioned therein shall be payable if-

- (i) payment of remuneration is approved by a resolution passed by the Remuneration Committee; and
- (ii) the Company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date of appointment of such managerial person.

There has been default on the part of the Company in repayment of debts / debentures and interest thereon for

a continuous period of 30 days, in the preceding financial year 2001-2002. In view of this, payment of minimum remuneration to the Managing Director will require approval of the Central Government.

The draft Agreement to be entered into by the Company with the Managing Director, inter alia, contain the following terms and conditions.

Remuneration:

- (a) Salary: With a ceiling of maximum salary of Rs. 70,000/- per month.
- (b) Commission: 1% (one percent) of the Company's net profit for each financial year subject to a maximum of 12 months' salary.
- (c) Perquisites:
 - i) Company's contribution to Provident and Superannuation Funds to the extent these singly or put together are not taxable under the Income Tax Act, 1961.
 - ii) Gratuity at the rate of one month's salary for each completed year of service.
 - iii) Leave with full pay as per the Rules of the Company, encashment of unavailed leave being allowed at the end of the tenure.
 - iv) Free furnished residential accommodation or unfurnished accommodation or house rent allowance, and Company's furniture on rental basis as per the scheme applicable to the senior executives of the Company.
 - v) Reimbursement of gas, electricity, water charges and furnishing.
 - vi) Reimbursement of medical expenses including hospitalization, nursing home and surgical charges for self and family whether incurred in India or abroad.
 - vii) Reimbursement of actual travelling expenses for proceeding on leave from Mumbai to any place and return there from in respect of self and family in accordance with the rules specified by the Company from time to time.
 - viii) Reimbursement of membership fees for clubs.
 - ix) Personal Accident Insurance Policy in accordance with the scheme applicable to senior executives of the Company..
 - x) Free use of Company's car for Company's work as well as for personal purpose along with driver.
 - xi) Telephone and other Communication facilities at the residence.

In the absence of inadequacy of profits in any financial year, Shri Parag H. Udani, Managing Director may be paid remuneration by way of salary, perquisites and other allowances not exceeding the limits specified in Paragraph 1(A) of Part II, Section II to Schedule XIII to the Companies Act, 1956.

The draft Agreement between the Company and Shri Parag H. Udani, is available for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working

days, except Saturdays upto and including the day of the Meeting.

The above may be treated as an abstract of the draft Agreement between the Company and Shri Parag H. Udani pursuant to Section 302 of the Companies Act, 1956.

Memorandum of Interest

Shri Parag H. Udani and Shri Harkishon N. Udani may be deemed to be concerned or interested in the resolution pertain to the appointment and remuneration payable to Shri Parag H. Udani.

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

Item No. 9

The Government of India has passed the Depositories Act, 1996 which enables the companies to dematerialise the Shares, which can be held in an electronic and fungible form. Consequent to the passing of the said Depositories Act, 1996 and introduction of the Depository System, some of the provisions of the Companies Act, 1956, pertaining to the issue, holding, transfer and dealing in shares, debentures and other Securities and also certificates thereto have been amended so as to facilitate the Depository System. Some of the Articles in the Articles of Association of the Company pertaining to issue, holding transfer and dealing in shares, debentures and other securities which were in line with the erstwhile provisions of the Companies Act, 1956, are conflicting with the said provisions of the Depositories Act, 1996 and therefore, the relevant Articles need to be amended / inserted.

As per the amendments to the Companies Act, 1956, new section 192A was inserted providing passing of certain resolutions by postal ballot. Accordingly, it is proposed to alter the Article of Association of the Company by inserting new Article 74-A to give effect to the said provision.

According to section 31 of the companies Act, 1956, it is necessary to pass a Special Resolution to amend the provision of the Article of Association. Therefore, The Board recommends the resolution for the approval of the members.

None of the Directors are, in any way, concerned or interested in the proposed resolution.

A copy of the Articles of Association of the Company, reflecting the amendments as per the said resolution is available for inspection at the Registered Office of the Company.

By the Order of Board of Directors

Place : Mumbai
Date : 23rd August, 2002.

Harkishon N. Udani
Chairman

Registered Office:

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



PRANAVADITYA SPINNING MILLS LIMITED

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twelfth Annual Report and the Audited Statement of Accounts of the Company for the financial year ended 31st March, 2002.

1. FINANCIAL RESULTS :

	For the year ended 31 st March, 2002 (Rs. In lacs)	For the year ended 31 st March, 2001 (Rs. In lacs)
Gross Sales	3359.52	4560.39
Profit/(Loss) before Depreciation, Interest and Tax	(405.84)	608.28
Less : Interest	405.63	340.04
Depreciation	200.97	194.67
Profit/(Loss) before Tax	(1012.44)	73.57
Provision for Tax :		
Current Tax	—	6.25
Deferred Tax Assets	249.18	—
Net Profit / (Loss) after Tax	(763.26)	67.32
Add : Balance in Profit & Loss Account	584.43	517.11
Excess Provision for Tax written back	4.19	—
Deferred Tax Liability of earlier year	(249.18)	—
Balance carried to Balance Sheet	(423.82)	584.43

2. REVIEW OF OPERATION:

During the year under review spinning mills were particularly affected by very high cotton prices and low yarn realization coupled with recession in demand for yarn. Exports of yarn were also affected due to events after September 11, 2001 leading to severe recession in international market. Our Company had to produce more of carded yarns and resulting in lesser realization per kilo. While the cost of Production substantially increased due to high cotton prices the selling prices were under pressure. The company also had to write off outstanding debts, which in the opinion of the Board were long outstanding and were considered not recoverable.

Consequently, there has been substantial decrease in the total turnover and large losses during the year under review. The company has taken steps to reduce over all costs increase in productivity and efficiency. However, through out the year adverse market conditions and high cost persisted. It may also be noted that during the year under review many spinning mills had to close down.

The Company has submitted Restructuring plans to the Banks and ICICI and by and large Banks have approved of the Restructuring plan. Having passed through very difficult market conditions and high cotton prices, demand for cotton yarn has picked up. In the current year the cotton prices are expected to be reasonable. The Company expects improved performance in terms of sales and profitability. Constant emphasis is being placed to maintain consistent quality and services to the clients.

3. DIVIDEND :

Your Directors regret their inability to propose any dividend in view of the losses of the Company.

4. DIRECTORS' RESPONSIBILITY STATEMENT:

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

- that in preparation of the annual accounts, the applicable standards have been materially followed subject to Note no.4 & 1 (X), of Schedule 19 to the Account.
- 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.
- 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.
- that the annual accounts have been prepared on a going concern basis.

5. CORPORATE GOVERNANCE:

In terms of schedule of implementation, your Company has implemented the Corporate Governance during the financial year 2001-2002. Your Company has obtained a certificate from the Auditors of your Company regarding compliance of conditions of Corporate Governance. The same is annexed hereto.

6. DIRECTORS:

Shri Harkishon N. Udani and Shri Sumanlal B. Shah retire by rotation at the 12th Annual General Meeting of the company and being eligible offers themselves for re-appointment.

Shri F. Rehman, who was associated with the Company since last five years and appointed as "Technical Director" designated as President (Works), expired on 8th April, 2002. During the association with the Company, Shri F. Rehman made good contribution to the Company's growth. The Board has placed on record its deep sense of loss on the passing away of Shri F. Rehman.

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The Board of Directors has co-opted Shri B.R.Nayak as Additional Director effective 17th October, 2001 and has also appointed him as Executive Director designated as 'Director-Finance & Commercial'. He holds the office upto the date of Annual General Meeting and being eligible offer himself for appointment as Director. The Board also nominated him as the Occupier of the Factory.

Shri Mahendra S. Shah is being appointed as an Additional Director with effect from 15th April, 2002. Shri Mahendra Shah hold office upto the date of Annual General Meeting and being eligible, offers himself for re-appointment as Director.

7. AUDITORS AND AUDITORS' REPORT:

The statutory auditors M/s. Vinod Vasa & Associates, retire at the conclusion of the ensuing Annual General Meeting. The Company has received a letter from M/s. Vinod Vasa & Associates to the effect that their appointment as Auditors, if made, would be within the limits under Section 224 (1B) of The Companies Act, 1956. The notes to the accounts referred to in the Auditors Report are self explanatory and therefore, do not call for any further comments.

8. FIXED DEPOSITS:

Your Company did not accept any Fixed deposits during the year under review. No deposits were due for repayment as on 31st March 2002.

9. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:

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, is given in Annexure 1 and forms part of this report.

10. PERSONNEL:

There is no employee coming within the provisions of Section 217 (2A) of The Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975.

Mr. Sandeep Gandhi, Company Secretary has resigned to pursue an Independent Consultant's career. He made good contribution to the Companies Growth. However, he continue to work with the Company in an advisory capacity.

11. INSURANCE:

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

12. 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.

13. APPRECIATION:

Your Directors wish to place on record their appreciation of the support and co-operation received from the Financial Institutions and Banks and the Government Authorities. Your Directors also commend the unstinting efforts put in by employees at all levels.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 23rd August, 2002

Harkishon N. Udani
Chairman

Registered Office:

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

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PRANAVADITYA SPINNING MILLS LIMITED

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 :

	2001-02	2000-01
1. Electricity :		
(a) Purchased Units ('000)	7586.462	8570.86
Total Amount (Rs. in lacs)	289.33	328.79
Rate per Unit	3.81	3.84
(b) Own Generation		
Through Diesel Generator - Units ('000)	172.96	726.63
Unit per litre of Diesel Oil	3.50	3.50
Cost per Unit	4.31	4.28
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others	Nil	Nil

(ii) Consumption per Unit of Production :

Production of yarn (M.T.)	3095.67	3549.48
Electricity per M.T. of production	2506.54	2619.39

(II) Technology Absorption :

FORM - B

i) Research and Development

- | | |
|--|---|
| <p>1. Specific areas in which R & D carried out by the Company.</p> <p>2. Benefits derived as a result of above R & D.</p> <p>3. Future plan of action.</p> <p>4. Expenditure on R & D :</p> <p> (a) Capital</p> <p> (b) Recurring</p> <p> (c) Total</p> <p> (d) Total R & D expenditure as a percentage of total turnover</p> | <p>– 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.</p> <p>– Reduction in cost of output, decrease in wastage and improvement in quality of yarn.</p> <p>– The above activities shall continue and more efforts in this direction will be made.</p> <p>– No system of separate maintenance of accounts have been developed. The expenditure is merged with various other heads of expenses.</p> |
|--|---|

ii) Technology absorption, adoption and Innovation :

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

(III) Foreign Exchange Earnings and Outgo :

	2001-02	2000-01
	(Rs. in lacs)	(Rs. in lacs)
Total Earnings (F.O.B. Value)	360.16	920.45
Total Outgo	189.76	380.03