



BOARD OF DIRECTORS

Mr. Anil Kumar Jain	<i>Director</i>
Mr. Kamal Mitra	<i>Director</i>
Mr. P. N. Shah	<i>Director</i>
Mr. R. Anand	<i>Director</i>
Mr. S. K. Agrawal	<i>Chairman</i>

AUDITORS

B. K. Shroff & Co.,
Chartered Accountants,
3/7-B, Asaf Ali Road,
New Delhi - 110 002

SHARE TRANSFER AGENTS

Bigshare Services Pvt. Ltd.
E-2-3/Ansa Industrial Estate,
Saki Vihar Road,
Saki Naka, Andheri (East),
Mumbai - 400 072.
Tel.: 022-4043 0200

CORPORATE OFFICE

301, Arcadia, Nariman Point,
Mumbai - 400 021

REGISTERED OFFICE AND WORKS

Village : Alte
Taluka : Hatkanangale
District : Kolhapur
Maharashtra : 416 109

DELHI OFFICE

506, Pragati Tower, 26, Rajendra Place,
New Delhi - 110 008

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Notice

NOTICE is hereby given that the 21st Annual General Meeting of **PRANAVADITYA SPINNING MILLS LIMITED** will be held on Tuesday the 2nd August 2011 at 11.45 a.m. , at the Registered Office of the Company at Village Alte, Taluka Hatkanangale, Dist. Kolhapur 416 109, Maharashtra to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Accounts for the financial year ended 31st March 2011, and the Report of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. R. Anand, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. S.K. Agrawal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

By Order of the Board

Place : Mumbai
Date : 16th May 2011

Anil Kumar Jain
Director

Additional information: As required in terms of Para VI (A) of clause 49 of the Listing Agreement

Brief profile of Mr R. Anand, who retires by rotation and is eligible for re-appointment

Mr R Anand, is a Science graduate and is associated with Textile industry for about 42 years. Mr Anand is on the Board of the Company since 31st July 2008.

Outside Directorship : a) Eastern Engineering Co. (Bombay) Pvt Ltd. b) Nova Silk Pvt. Ltd. c) NCL Industries Ltd. d) ETS Eastern Services Pvt. Ltd. e) NSL Textiles Ltd. f) Indo Count Industries Ltd

Committee Chairmanship/Membership :

Name of the Company	Audit Committee	Remuneration Committee	Management Committee
Indo Count Industries Ltd.	Member	Chairman	—
Pranavaditya Spinning Mills Ltd.	Member	—	—
NSL Textiles Ltd.	Member	Member	Member

Brief profile of Mr. S.K. Agrawal, who retires by rotation and is eligible for re-appointment.

Mr. S.K. Agrawal is a Chartered Accountant by profession has rich experience in Accounting and Taxation.

Mr. Agrawal has been associated with the Company since 25th June 2009.

Outside Directorship: a) Margo Finance Ltd.

**Committee Chairmanship/Membership:**

Name of the Company	Audit Committee	Investors' Grievances Committee	Remuneration Committee	Share Transfer Committee
Margo Finance Ltd.	Chairman	—	—	—
Pranavaditya Spinning Mills Ltd.	Chairman	Member	Member	Member

By Order of the Board

Place : Mumbai

Date : 16th May 2011**Anil Kumar Jain***Director***NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The proxy form should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the aforesaid meeting.

2. Members/Proxies should bring the attendance slip duly filled in for attending the aforesaid meeting.
3. Register of Members and the Share Transfer Books of the Company will remain closed from 22-07-2011 to 02-08-2011 (both days inclusive).
4. Members are requested to:
 - (i) intimate, changes, if any, in their Registered Addresses immediately;
 - (ii) intimate about consolidation of folios if shareholdings are under multiple folios;
 - (iii) quote ledger Folio No./DPID/Client ID in all their correspondence; to the Company's Registrar & Transfer Agent:-

M/s Big Share Services Pvt. Ltd.
E-2-3/Ansa Industrial Estate, Saki Vihar Road,
Saki Naka, Andheri (East), Mumbai 400 072
Tel.: 022 – 40430200; Fax.: 022 – 28475207

- (iv) Register fresh Email IDs with your Depository Participant (DP).
5. MEMBERS ARE ADVISED TO SEND ALL SHARE TRANSFERS AND RELATED CORRESPONDENCE TO THE REGISTRAR AND SHARE TRANSFER AGENT AT THE ABOVE ADDRESS.
 6. Members/Proxies should bring the attendance slip duly filled in for attending the aforesaid meeting.
 7. Shareholders intending to require information about accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.

By Order of the Board

Place : Mumbai

Date : 16th May 2011**Anil Kumar Jain***Director*

Directors' Report

To
The Members
PRANAVADITYA SPINNING MILLS LIMITED

Your Directors have pleasure in presenting the TWENTY FIRST ANNUAL REPORT together with the Audited Financial Statement for the year ended 31st March 2011.

Financial Results

(₹ in lac)

Particulars	2010-11	2009-10
Gross sales (including export incentive)	4,891.18	3,271.42
Profit before Depreciation, interest and Taxation	490.92	432.12
Less: Interest	23.52	22.93
: Depreciation	192.12	193.36
Cash Profit	465.60	409.19
Net Profit for the year before taxation	275.28	215.83
Provision for Taxation (including Deferred Tax Asset)	112.87	9.46
Net Profit After Taxation	162.41	206.37
Loss Brought Forward	(69.34)	(275.71)
Net Profit/(Loss) carried forward to Balance Sheet	93.07	(69.34)

Dividend

Due to meager profits, the Directors are unable to recommend dividend for the year.

PERFORMANCE REVIEW

During the year under review, the Company earned an operating profit of ₹ 490.92 lac (previous year operating profit of ₹ 432.12 lac) on sales turnover of ₹ 4,891.18 lac (previous year ₹ 3,271.42 lac). Steep rise in the cost major inputs have significantly impacted the profitability. Abrupt ban on the exports during last quarter of year under review have also affected the top line of the Company.

BIFR

Board for Industrial & Finance Reconstruction (BIFR) vide its order dated 16-09-2010, has de-registered the Company from BIFR.

Business Outlook

Textile Division

The domestic as well as Export market for textile products continues to grow for better prospects. Increased demand for textile products globally will reap benefits to the Company in the years to come.

However, the cost of raw material have increased phenomenally, which is higher by about 80 – 90% than the previous year, will have an adverse impact on the margins of the Company.

Of late, the prices of cotton and yarn have started correcting for the better, which augurs well for the industry.



Management Discussion and Analysis

Textile Division

Industry structure and developments

The Indian spinning industry enjoys a predominant position in the domestic and international yarn trade. With about 41 mn. Spindles, this segment of the textile industry, is still expanding and modernizing itself, being the single largest beneficiary under the Technology Upgradation Scheme of the Government of India.

Most of the spindles are in the organized sector with medium and large scale units. The spinning units are efficiently run and thus compete very well in terms of cost of production with the global players.

Besides exporting nearly 21% of its production, the spinning units cater to the ever growing domestic demand.

Your Company has been in the carded yarn business and has established a name in the domestic market. The facilities at the unit have been streamlined and aligned to produce the best quality of yarns at competitive costs. The unit has moved in to higher value addition by producing finer counts of carded yarn.

Opportunities and threats

Due to general economic slow down globally, the domestic market had also faced slump in demand for cotton yarn. Despite this, during the year under review, the sales and production grew by about 50% over that of the previous year.

With the same back process capacity, the unit can expand further up to 4000 spindles to optimize its production. Steps have been taken to enhance the capacity to take advantage of this situation.

Domestic Cotton prices have soared by about 100% in comparison with that of the previous season. However, the yarn prices did not respond positively due to lower demand, seriously impacted the margin. Export of cotton has given spiraling impact on the prices of domestic cotton and yarn. Cost of the other major input, the power, also rose sharply exerting upward pressure on the production cost. The MSP concept is expected to attract larger area under cultivation and thus higher crop, which will be beneficial for the industry as a whole.

Risks and concerns

Cotton production depends on the vagaries of monsoon. Procurement of raw material at right prices is the key to yarn prices remaining cost competitive.

As for part of the year, the unit under the BIFR fold, the Company has not been able to raise adequate finance for its working capital requirements. However, consequent to the Company's de-registration from BIFR, could enable it to get necessary liquidity for running its operations efficiently.

Outlook

There is spurt in demand for cotton yarn both in domestic and international markets, of late, and as a result, yarn prices have started looking up. Overall outlook for the Textile Industry continues to be promising.

Segment

The Company is engaged only in one segment i.e. Textile.

Internal control systems and their adequacy

The Company has in place an elaborate internal control system to ensure proper authorization and accounting of transactions as also for safeguarding and protecting Company's assets against loss. The internal auditors check the controls periodically and their report is reviewed by the Management and the Audit Committee from time to time. The Management feels that the system of internal controls is adequate considering the size of operations of the Company.

Human Resources

During the year, labour relations continued to be cordial.

Particulars of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with

Directors' Report

the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.

Corporate Governance

The corporate governance report together with a certificate from the Company's auditors confirming compliance of guidelines are made part of this Report as per clause 49 of the listing agreement entered into with the stock exchange.

Directors' Responsibility Statement

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- a) that in the preparation of the accounts for the financial year ended on 31st March 2011, the applicable accounting standards have been followed and there are no material departures.
- b) that the Directors have selected such accounting policies and applied them consistently and 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 the financial year and of the Profit of the Company for the year under review.
- c) that the Directors have taken proper and sufficient care 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 Directors have prepared the annual accounts ended on 31st March 2011 on a 'going concern' basis.

Directors

In accordance with the provisions of the Companies Act, 1956, Mr. R Anand, Mr. S.K. Agrawal retires by rotation and being eligible, offer themselves for reappointment.

Auditors

M/s. B K Shroff and Co., Chartered Accountants retire at the end of this Annual General Meeting and are eligible for reappointment as auditors.

The observations of Auditors as referred in Auditors' Report are suitably explained in the Notes on Accounts and therefore do not call for any further comments.

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

Statement required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure forming part of this Report.

Acknowledgements

Your Directors are grateful to the customers, suppliers and employees for their Co-operation and assistance during the year under review.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments outside the country, global demand and supply conditions in the industry, input prices, changes in government regulations, tax laws and other factors such as litigation and industrial relations.

On behalf of Board of Directors

Place : Mumbai
Dated : 16th May 2011

Anil Kumar Jain
Director



Annexure to Directors' Report

Information Under 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 the Directors' Report for the financial year ended on 31st March 2011.

A. CONSERVATION OF ENERGY

Form - A

Form for Disclosure of particulars with respect to conservation of energy

Particulars	2010-11	2009-10
a) Power and Fuel		
ELECTRICITY		
a) Purchased (Units)	108,13,506	89,54,884
Total amount ₹ in lac	588.35	444.38
Rate/unit ₹	5.44	4.96
b) Own generation:		
i) through diesel generator		
Unit	Nil	Nil
Unit/liter of diesel oil	Nil	Nil
Cost per unit	NA	Nil
ii) Furnace oil		
Quantity (KL)	—	—
Amount ₹ in lac	—	—
Average Rate (Rs)	—	—
b) Electricity consumption per unit of production of yarn per Kg.	3.92	3.66

B. TECHNOLOGY ABSORPTION

Form - B

Technology Absorption, Adaptation and Innovation

- Specific areas in which R & D was carried by the Company - Nil**
- Benefit derived from above R & D activities - Nil**
- Future plan of action.**

Search for improvement/betterment in products and systems will continue in order to reduce production costs.

D. Expenditure on R & D

- Separate account for R&D expenses is not maintained.
- Expenditure is charged to profit and loss account like other heads.

2. Technology absorption, adaptation and innovation

The Company has not imported any technology since inception.

C. FOREIGN EXCHANGE EARNINGS AND OUT-GO

- Activity related to initiatives taken to increase export markets for products and services and export – The Company product is entirely sold in the local market.
- Total foreign exchange used and earned.

(₹ in lac)

Particulars	2010-11	2009-10
Used	14.52	4.54
Earned (FOB value of export goods)	972.83	190.31

On behalf of Board of Directors

Place : Mumbai
Dated : 16th May 2011

Anil Kumar Jain
Director

Corporate Governance (Annexure to Directors' Report)

Corporate ethics

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Philosophy

Your Company is committed to excellence in Corporate Governance practice and recognizes that good Corporate Governance is a continuous exercise. Your Company aims at achieving transparency, accountability, equity and ethics in all facets of its operations and in all interaction with its stakeholders. Your Company believes that all its operations and actions must result in enhancement of overall shareholder value over a sustained period of time without compromising in any way compliance with laws and regulations.

Status of Compliance

Our Company has been able to make significant compliance with the revised provisions of Clause 49 of the Listing Agreement.

2. BOARD OF DIRECTORS

a) Composition of the Board

The Company has presently 5 Directors and the Chairman is a Non-Executive Director. Other four are also Non-Executive Directors and of these three are Independent Directors.

The Board of Directors meet at least once a quarter to review the Company's performance and financial results and more often, if considered necessary, to transact other important business.

b) Number of Board meetings

During the current accounting year ended 31st March 2011, 5 Board Meetings were held on the following dates viz. 11-05-2010, 01-06-2010, 14-08-2010, 11-11-2010 and 14-02-2011.

The maximum interval between any two Board Meetings was less than 4 months as stipulated in Clause 49 of the Listing Agreement.

The 20th Annual General Meeting was held on 31st July 2010.

c) Directors attendance record and Directorship held as under:

Name of the Director	Designation	Category	During the Year Number of Board Meetings		Whether attended last AGM	Directorship in other Public Limited Companies incorporated in India	Overall Committee Membership/ Chairmanship across Directorship	
			Held	Attended			Chairman	Member
NON EXECUTIVE								
Mr. S. K. Agrawal	Chairman	Independent	5	5	Yes	1	2	3
Mr. Anil Kumar Jain	Director	Promoter	5	5	Yes	4	2	3
Mr. Kamal Mitra	Director	Non - Independent	5	3	Yes	1	—	3
Mr. P. N. Shah	Director	Independent	5	5	No	6	3	5
Mr. R. Anand	Director	Independent	5	4	No	3	—	3



The Board has lay down and adopted Code of Conduct for all Board Members and Senior Management personnel of the Company.

No remuneration, other than sitting fees has been paid for attending the Board/Committee meeting detailed as under:-

Name of Director	Sitting Fees Amt ₹
Mr. P. N. Shah	18,000/-
Mr. R. Anand	14,000/-
Mr. Kamal Mitra	8,000/-

Name of Director	Sitting Fees Amt ₹
Mr. S.K. Agrawal	18,000/-
Mr. Anil Kumar Jain	10,000/-

Chairmanship/Membership of every Director is within limits specified.

d) Information supplied to the Board:

A detailed agenda is sent to each Director sufficiently in advance of Board and Committee meetings. At every Board meeting the Chairman briefs the members on the overall performance of the Company.

Apart from the matters statutorily requiring the Board approval, all major decisions related to investments, capital expenditure, modernization programs, mobilization of resources and planning thereof are considered by the Board.

As per SEBI's code of Corporate Governance, the following information is regularly placed before the Board:-

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of audit committee and other committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial nonpayment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.

Corporate Governance (Annexure to Directors' Report)

- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

e) Independent Audit Committee:

The Company has constituted Audit Committee in accordance with the requirements of Clause 49 of the Listing Agreement with qualified, independent and non-executive members of the Board of Directors of the Company. The broad terms of reference of the Audit Committee are:-

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - o Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - o Changes, if any, in accounting policies and practices and reasons for the same
 - o Major accounting entries involving estimates based on the exercise of judgment by management
 - o Significant adjustments made in the financial statements arising out of audit findings
 - o Compliance with listing and other legal requirements relating to financial statements
 - o Disclosure of any related party transactions
 - o Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.