



Pranavadiya Spinning Mills Ltd.
Annual Report 2012-13



Contents

02 Notice

04 Directors' Report

07 Report of Corporate Governance

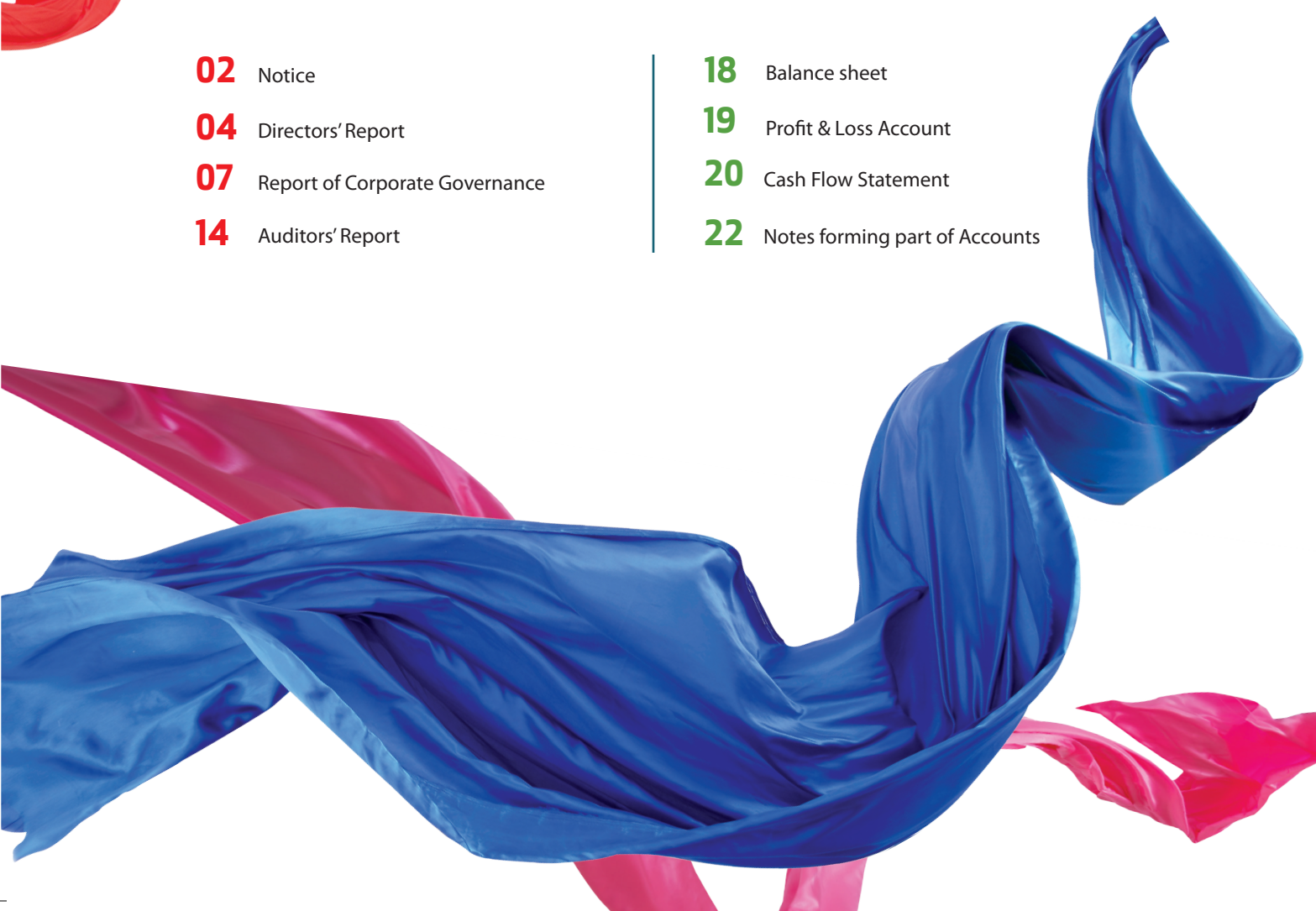
14 Auditors' Report

18 Balance sheet

19 Profit & Loss Account

20 Cash Flow Statement

22 Notes forming part of Accounts





CORPORATE INFORMATION

Board of Directors

S. K. Agrawal
Chairman

Anil Kumar Jain

Kamal Mitra

P. N. Shah

R. Anand

Company Secretary

D. V. Kulkarni

Auditors

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

Registered Office

Office No. 2, Village Alte
Taluka Hatkanangale
Dist. Kolhapur 416 109

Registrar & Share 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

Audit Committee

S. K. Agrawal – Chairman

R. Anand

P. N. Shah

Kamal Mitra

Shareholders' & Investors' Grievances Committee

Anil Kumar Jain – Chairman

S. K. Agrawal

Kamal Mitra

Share Transfer Committee

Anil Kumar Jain – Chairman

S. K. Agrawal

Kamal Mitra

Remuneration Committee

R. Anand – Chairman

P. N. Shah

S. K. Agrawal

NOTICE

NOTICE IS HEREBY GIVEN THAT the 23rd Annual General Meeting of the Company will be held as scheduled below:

Day : Saturday,

Date: the 20th July, 2013

Time: at 11.00 a.m.,

Place: at the Registered Office of the Company at Office No 2, Village Alte, Taluka Hatkanangale,
Dist. Kolhapur 416 109, Maharashtra to transact the following business:

AS ORDINARY BUSINESS

1. To consider and adopt the Profit & Loss Account of the Company for the Financial Year ended 31-03-2013, the Balance Sheet as at that date and the Report of Directors' and Auditors' thereon.
2. To elect a Director in place of Mr. Anil Kumar Jain, who retires by rotation and being eligible offers himself for re-appointment.
3. To elect a Director in place of Mr. R. Anand, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

By Order of the Board

D V Kulkarni

Mumbai, 24th May 2013

Company Secretary

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

Brief profile of Mr Anil Kumar Jain, who retires by rotation and is eligible for re-appointment.

Mr. Anil Jain has rich experience in Textiles and Finance for more than 38 years. Mr Jain has been on the Board of the Company since 31st July 2007.

Outside Directorship: 1) Indo Count Industries Ltd. 2) Margo Finance Ltd. 3) Sarla Performance Fibers Ltd.

Committee Chairmanship/Membership:

Name of the Company	Share Transfer Committee	Investors Grievance Committee	Remuneration Committee
Indo Count Industries Ltd	Chairman	Chairman	---
Margo Finance Ltd	Chairman	Chairman	---
Pranavaditya Spinning Mills Ltd	Chairman	Chairman	----
Sarla Performance Fibers Ltd	--	--	Member

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

1. Mr R Anand, is a Science graduate and is associated with Textile industry for about 44 years. Mr Anand is on the Board of the Company since 31st July 2007.

Outside Directorship : 1) Eastern Engineering Co. (Bombay) Pvt Ltd. 2) Nova Silk Pvt. Ltd. 3) NCL Industries Ltd. 4) ETS Eastern Services Pvt. Ltd. 5) NSL Textiles Ltd. 6) Indo count Industries Ltd. 7) Marzoli Textile Machinery Manufacturers Pvt. Ltd. 8) Ferrari Eastern Fans India Pvt. Ltd. 9) Smit Textile Machinery Manufacturers Pvt. 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	--	--

By Order of the Board

D V Kulkarni

Mumbai 24th May 2013

Company Secretary



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 18-07-2013 to 20-07-2013 (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
Telephone Nos 022 – 40430200
Fax No 022 – 28475207
5. **MEMBERS ARE ADVISED TO SEND ALL SHARE TRANSFERS AND RELATED CORRESPONDENCE TO THE REGISTRAR AND SHARE TRANSFER AGENT AT THE ABOVE ADDRESS.**
6. 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

Mumbai, 24th May 2013

D V Kulkarni
Company Secretary

DIRECTORS' REPORT

Your directors are pleased to present the TWENTY THIRD ANNUAL REPORT together with the audited financial statements and auditors' report for the financial year ended 31st March 2013.

(₹ in Lacs)

Financial Results	Current Year	Previous Year	change
Revenue	6076.30	4,774.29	27%
1. EBIDTA	509.73	(215.70)	236%
2. Less: Interest	34.39	32.87	
3. Cash Profit	420.84	(248.57)	
Less: Depreciation	39.56	57.73	
4. Profit before tax	435.71	(306.29)	142%
5. Provision for Taxation	147.79	95.39	
6. Net Profit/(loss) After Taxation	287.99	(210.90)	

Dividend

Your Directors intend to plough back available resources for financial requirements and express their inability to recommend any dividend for the year under review.

PERFORMANCE REVIEW

During the year under review, the Company has achieved a revenue of about ₹ 61 crores as against about ₹ 48 crores in the previous year, thereby registering a growth of over 27%. EBIDTA during the above period stands increased from about ₹ (2.16) crores to about ₹ 5.10 crores, a growth of over 236%.

Business Outlook

Cotton yarn manufacturers to benefit from slow but steady pick-up in International/domestic demand and likely higher demand of cotton yarn from China and improving margins on account of low cotton prices and firm cotton yarn prices. Stability in cotton prices will enable spinning mills to better plan the inventory buying. However, spinners in Southern India and Gujarat continue to under utilise capacity due to power shortage or incur high cost of self-generated power.

With the recovery in the US and European economies, the International Market for your Company's product will be cheered up in the years to come.

The prices of raw cotton and yarn have started scaling up, which augurs well for the industry.

Considering the better prospects for the Textile business, your Company has increased production capacities. The Company is scouting for Term Loan facility to expand the spindlage to take advantage of the situation for Indian Textile Industry.

Management Discussion and Analysis

Industry structure and developments

Textile Industry in India ranks next to Agriculture and is major source of employment in the subcontinent. It caters the basic necessity of civilized society and at the same time also contributes in a large ratio to Indian economy. World-wide, Indian textile products are well accepted and appreciated. India being one of the known natural fiber producing country, it is an advantage for Indian textile organizations.

The textile industry occupies a unique place in our country. One of the earliest to come into existence in India, it accounts for 14% of the total Industrial production, contributes to nearly 30% of the total exports

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 Textile Mills are in the organized sector with medium and large scale units. Considering the advantage of strong raw material base, alongwith availability of skilled manpower, the spinning units are efficiently run and thus compete very well in terms of cost of production with the global players.

During the year under review, besides, catering to the ever growing domestic market, your Company, has exported about 55% of its Sales.

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 moderate economic conditions prevailed globally, the domestic market had also faced slump in demand for cotton yarn. Despite this, during the year under review, the sales grew by about 27% over that of the previous year.

Beijing is now focusing on high-value products instead of spinning yarn, opening up a huge window for Indian suppliers of the raw material, and raising hopes of even the apparel industry in India, industry officials say.

Yarn imports by China in January this year increased substantially. The year 2013-14 will be good for spinning mills as China is going to depend more on India for yarn supply. Nearly 75-80% of yarn produced in India is now going to China. Spinning Mills/Cotton spinners in Tamil Nadu, Andhra Pradesh, Punjab and Gujarat are flooded with orders for yarn from China. Yarn imports in China, unlike raw cotton, are free from quota limits and cost about \$160 per tonne less in the country.

Looking at the potential growth of Cotton Yarn Market, Company proposes to undertake expansion to optimize its Production. Steps will be taken at appropriate time to enhance the capacity to take advantage of this situation.

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.

Availability of term loan facilities for expansion purpose and working capital facilities to further strengthen its operations, is of paramount importance in the time to come.

Timing and efficiency of cotton buying, receivables and inventory management would continue to be key liquidity determinants in 2013. In 2012, many of spinning units that overused their working-capital limits and/or delayed debt servicing due to liquidity stress. Leverage indicators are weak, yet better than 2008-2009 slowdown, when companies were in midst of capex cycle and high on debt.

1. Outlook

A stable outlook on cotton textiles would require favourable policy environment, improvements in demand-supply position, continued stability in input costs and consequent improvement in margins/liquidity. It is unlikely that the sector's outlook will turn positive until fundamental issues such as power shortage, lack of technology and modern machinery and demand slowdown are resolved. However foreign direct investment (FDI) in retail is an opportunity that would unleash demand in the long run and offset any slowdown in exports. The cotton outlook could be revised to negative if input costs turn volatile, which could intensify inventory price risks, cash flows and liquidity. Given the sector's high debt dependence

for operational as well as capex needs, any volatility in EBITDA could lead to huge swings in leverage.

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. Textiles.

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 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 Exchanges.

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:

- that in the preparation of the accounts for the financial year ended on 31st March 2013, the applicable accounting standards have been followed and there are no material departures.
- 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.
- 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.

- that the Directors have prepared the annual accounts ended on 31st March 2013 on a 'going concern' basis.

Directors

In accordance with the provisions of the Companies Act, 1956, Mr. Anil Kumar Jain and Mr. R. Anand, retire 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.

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 "A" 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

ANIL KUMAR JAIN

DIRECTOR

Mumbai, 24th May 2013

ANNEXURE A

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 2013.

A. CONSERVATION OF ENERGY**Form - A****Form for Disclosure of particulars with respect to conservation of energy**

Particulars	Current Year	Previous Year
a) Power and Fuel		
ELECTRICITY		
a) Purchased (Units)	12,053,640	104,50,260
Total amount ₹ in Lac	881.42	680.57
Rate/unit ₹	7.31	6.51
b) Own generation:		
i) through diesel generator		
Unit	Nil	Nil
Unit/liter of diesel oil	Nil	Nil
Cost per unit	NA	NA
ii) Furnace oil		
Quantity (KL)	--	--
Amount ₹ in Lac	--	--
Average Rate (₹)	--	--
b) Electricity consumption per unit of production of yarn per Kg.	3.97	3.84

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 Lacs)

Particulars	2012-13	2011-12
Used	42.47	18.96
Earned (FOB value of export goods)	3,377.91	1984.81

On behalf of Board of Directors

ANIL KUMAR JAIN

DIRECTOR

MUMBAI, 24TH MAY 2013



REPORT ON CORPORATE GOVERNANCE

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

Your 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 2013, 4 Board Meetings were held on the following dates viz. 23-05-2012, 14-08-2012, 08-11-2012 and 12-02-2013.

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

The 22nd Annual General Meeting was held on 25-08-2012.

c) Directors attendance record and directorship held as under:

Name of the Director	Designation	Category	During the period No. 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	4	4	Yes	1	2	4
Mr. Anil Kumar Jain	Director	Promoter	4	3	Yes	3	3	4
Mr. Kamal Mitra	Director	Non-Independent	4	4	Yes	1	--	3
Mr. P N Shah	Director	Independent	4	3	No	7	4	6
Mr. R Anand	Director	Independent	4	2	No	3	0	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 ₹	Name of Director	Sitting Fees Amt ₹
Mr. P. N. Shah	40,000/-	Mr. S.K. Agrawal	45,000/-
Mr. R. Anand	25,000/-	Mr. Anil Kumar Jain	15,000/-
Mr. Kamal Mitra	25,000/-		

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:-

1. Annual operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results for the company and its operating divisions or business segments.
4. Minutes of meetings of audit committee and other committees of the board.
5. 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.
6. Show cause, demand, prosecution notices and penalty notices which are materially important

7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the company, or substantial nonpayment for goods sold by the company.
9. 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.
10. Details of any joint venture or collaboration agreement.
11. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
12. 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.
13. Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
15. 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:-

1. 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.
2. 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.