



Pranavadiya

Spinning Mills Limited

Annual Report
2 0 1 4 - 1 5





Contents

1	Corporate Information	30	Balance Sheet
2	Directors' Report	31	Profit & Loss Account
17	Corporate Governance Report	32	Cash Flow Statement
26	Auditors' Report	34	Notes forming part of Accounts



Corporate Information

Board of Directors

Mr. S. K. Agrawal - Chairman

Mr. Anil Kumar Jain

Mr. Kamal Mitra

Mr. P. N. Shah

Mr. R. Anand

Ms. Preeti Sheth

(Appointed w.e.f. 11th November, 2014)

Company Secretary & Compliance Officer

Mr. Abhishek Thareja

Auditors

B. K. Shroff & Co.

Chartered Accountants

3/7-B, Asaf Ali Road,

New Delhi 110 002

Corporate Office

301, Arcadia, Nariman Point,

Mumbai - 400 021, India.

Registered Office / Plant

Plot No. 266,

Village Alte, Kumbhoj Road,

Taluka: Hatkanagale

District: Kolhapur - 416 109

Registrar & Share Transfer Agent

Big Share Service Pvt. Ltd.

E-2-3/Ansa Industrial Estate,

Saki Vihar Road,

Saki Naka, Andheri (East)

Mumbai - 400 072

Banker

Union Bank Of India

CIN

L17119PN1990PLC058139

DIRECTORS' REPORT



Your Directors have pleasure in presenting their 25th annual report on the business and operations of your Company together with the audited financial statements and the Auditor's Report for the financial year ended March 31, 2015.

(₹ In lac, except EPS)

Financial Results	2014-15	2013-14
Revenue	6584.82	7305.18
EBIDTA	204.28	451.76
Less : Interest	29.96	25.82
Less : Depreciation	56.60	45.88
Less: Exceptional Item	-	-
Profit before Tax	117.72	380.06
Provision for Tax	34.85	123.57
Net Profit	82.87	256.54
EPS (₹)	0.43	1.33
Cash Profit	150.77	349.81
Net Profit for the year	82.87	256.54
Add: Balance in Profit & Loss Account	426.69	170.15
Sub-total	509.56	426.69
Less: Adjustment on account of depreciation	(2.71)	-
Balance carried to Profit & Loss Account	506.85	426.69

Operational and financial performance overview

During the financial year under review, the Company achieved revenue of ₹ 6584.82 lac as compared to ₹ 7305.18 lac in the previous year. There has been a drop in the EBIDTA from ₹ 451.76 lac to ₹ 204.28 lac. Net profit during the year is ₹ 82.87 lac as compared to Net profit of ₹ 256.54 lac in the previous year.

The Company performed reasonably during the fiscal year 2013-14. Performance for the year under review was affected as the Spinning Industry went into tailspin due to a number of factors. The major causes were:

- Raw cotton prices crashed globally by almost 50% and the benchmark New York Futures plunged from over 90 cents a pound in July 2014 to below 60 cents by Oct / Nov 2014. Indian cotton prices were no exception and crashed steeply.
- Spinning Mills, were left with high-priced cotton, with resultant value losses.
- The major factor in causing cotton price crash was significant changes in Chinese Cotton Procurement policies, which in the past had kept the global prices buoyant.

The reduced demand of Cotton from China, negatively impacted the cotton prices. The cotton prices fell below the Minimum Support Prices and Government of India started procuring cotton at minimum support price through Cotton Corporation of India (CCI), which resulted in non-availability of cotton to the Spinning Mills at reasonable price.

The fall in prices of yarn in export market due to sluggish demand for yarn in the China, Europe, Japan and other major yarn importing Countries from India negatively impacted the profitability of the Company.

Consequently, yarn prices also fell significantly leading to lack of parity between cotton and cotton yarn prices. The cotton yarn exports from India into China also dropped by nearly 23%.

These factors had a bearish effect on both demand and sales realization in the international as well as domestic market. Salaries & Wages continued to rise during the year besides hike in power cost, thereby impacting the manufacturing margins.

Management Discussion and Analysis

Industry structure and developments

India is one of the world's largest producers of textiles. Abundant availability of raw materials such as cotton, man-made fibers, wool, silk and jute as well as skilled workforce have made the country a sourcing hub. It is the world's second largest producer of textiles.

The Indian Textile Industry:

- accounts for about 24% of world's spindle capacity.
- 2nd largest employment provider, it provides direct employment to over 45 million people,
- contributes about 14 % to Industrial Production,
- contributes about 4% to the Gross Domestic Product (GDP),
- has 12% share of Country's total exports.

The textile industry has made a major contribution to the National economy in terms of direct and indirect employment generation and net foreign exchange earnings. Thus, the growth and all round development of the industry has a direct bearing on the growth of India's economy.

India has overtaken Italy, Germany and Bangladesh to emerge as the world's second largest textile exporter, as per recent data released by 'UN Comtrade'. India's share in Global Textiles is increasing year to year.

The Indian textiles industry is set for strong growth, buoyed by strong domestic consumption as well as export demand.



Opportunities and threats

India has one of the most efficient and competitive spinning industries of the world. We are the second largest producer and the largest exporter of spun yarn globally. Production of spun yarn registered impressive growth during the last 12 years and cotton yarn accounted for over 2/3rd of production throughout the period. Consumption of yarn and its exports also increased during the period. China reducing its spinning activities, India will have a growing opportunity in the global markets in this segment in the coming years. Yarn exports, therefore, need to be encouraged. India has a bright future for exports.

Cotton is one of the principal crops of the country and is the major raw material for domestic textile industry. It provides sustenance to millions of farmers as also the workers involved in cotton industry, right from processing to trading of cotton. The Indian textile industry consumes a diverse range of fibres and yarn, but is predominantly cotton based. Indian Textile Industry has an overwhelming presence in the economic life of the country.

According to the Ministry of Textiles, the domestic textile and apparel industry in India is estimated to reach US\$ 141 bn by 2021 from US\$ 58 bn in 2011. Apparel exports from India is expected to increase to US\$ 82 bn by 2021 from US\$ 31 bn in 2011. Total cloth production in India is expected to grow to 112 bn square meters by FY17 from 62 bn square meters in FY11.

The Spinning Industry faced many challenges due to the economic slowdown, higher cotton prices and fluctuations shown in dollar movement. In spite of stability shown in yarn prices both in the domestic and international markets, profits have not been better because of the above reasons.

Risks and concerns

Raw Cotton, an agricultural product, is the key raw material used for the manufacture of cotton yarn. Almost 65 % of area under cotton cultivation is rain-fed and hence is dependent on vagaries of monsoon. Adequate availability of raw cotton at right prices is crucial for the Company. Any disruption in the supply and/or violent changes in the cost structure would affect the profitability of the Company.

Dividend

Your Directors intend to plough back available resources for financial requirements and have not recommended any dividend for the financial year.

Outlook

Indian Textile Industry has a good opportunity as share of exports of textiles from China is going down. Indian Textile Industry can expect good growth in domestic consumption.

Bilateral discussions for the Free Trade Agreement with European Union are progressing well and on conclusion of the Agreement, India will have a level playing field to compete with our competitors, especially Pakistan and Bangladesh.

The industry expects improvement in the margins during the current year. Your directors are monitoring the cotton price and yarn price movement. If incentives/ reliefs packages are offered by Government of India, it will further boost exports. In view of this situation, the Company's performance is expected to improve.

Internal control systems and their adequacy

The Company maintains adequate internal control system and procedures commensurate with its size and nature of operations. The internal control systems are designed to provide a reasonable assurance over reliability in financial reporting, ensure appropriate authorisation of transactions, safe guarding the assets of the Company and prevent misuse/ losses and legal compliances.

The internal control system includes a well defined delegation of authority and a comprehensive Management Information System coupled with quarterly reviews of operational and financial performance, a well structured budgeting process with regular monitoring of expenses and Internal audit.

The Internal Audit reports are periodically reviewed by the management and the Audit Committee and necessary improvements undertaken.

Human Resources

Your Company has always provided a congenial atmosphere for work to its employees. Your Company is an equal opportunity employer and offers opportunities to all without regard to their caste, religion, colour, marital status and sex.

Segment

The Company is engaged only in one segment i.e. 'Textile'. The Segment reporting has been presented as per AS 17.

Directors

In accordance with provisions of Section 152 of Companies Act, 2013, Mr. Kamal Mitra (DIN: 01839261) Director retires by rotation and being eligible, has offered himself for re-appointment.

At the 24th Annual General Meeting of the company held on 23rd August, 2014, the company had appointed Mr. S. K. Agrawal (DIN: 00400892), Mr. P. N. Shah (DIN: 00096793), and Mr. R. Anand (DIN: 00040325) as Independent Directors under the Companies Act, 2013, to hold office for 5 consecutive years for a term upto 15th August, 2019.

Further, in terms of Section 149 (10) & (13), the Independent Directors of the Company are not liable to retire by rotation. The Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as prescribed both under the Act and Clause 49 of the Listing Agreement with the Stock Exchanges.

At the board meeting held on 11th November, 2014, the Board had appointed Ms. Preeti Sheth (DIN: 00202080) as an Additional Director in the category of Independent Director.

Your directors seek appointment of Ms. Preeti Sheth as Independent Director, not liable to retire by rotation, to hold office for 5 Consecutive years, for a term upto 15th August, 2020.

Key Managerial Personnel

At the board meeting held on 14th May, 2014, the Board had appointed Mr. R. Sundaram as a Chief Financial Officer (CFO) of the Company and Mr. A. G. Halasangi as a Chief Executive Officer (CEO) of the Company.



Corporate Governance

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, a separate report on Corporate Governance along with Auditor's Certificate confirming its compliance is annexed and forms integral part of this Report.

Related Party Transactions

All related party transactions entered into during the financial year were on an arm's length basis and in the ordinary course of business. Note 29 to the financial statement sets out related party disclosure. No related party transaction was in conflict with the interest of the Company. No materially significant related party transaction was made by the Company with the Key Managerial Personnel. As prescribed by Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, particulars of related party transactions are given in Form AOC-2, as "**Annexure 1**" to this Report. Company has adopted a policy on Related Party Transactions as approved by the Board.

Vigil Mechanism / Whistle Blower Policy

The Company has a vigil mechanism to deal with instance of fraud and mismanagement, if any. The details of vigil mechanism are explained in the Corporate Governance Report.

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board carries out performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and Compliance Committees. The manner in which the evaluation is carried out has been explained in the Corporate Governance Report.

Remuneration Policy

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

Extract of Annual Return

Extract of the Annual Return of the Company in form MGT 9 is appended as "**Annexure 2**" to this Report".

Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed C V Kulkarni & Co., (CP No. 2792, FCS: 3342), Company Secretaries to conduct Secretarial Audit for the financial year 2014-15. The Secretarial Audit Report is annexed herewith as '**Annexure 3**'. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Internal Audit

M/s. Suresh Kumar Mittal & Co., Chartered Accountants performs the duties of internal auditors of the company and their report is reviewed by the audit committee from time to time.

Obligation of Company under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

In order to prevent sexual harassment of women at work place a new act The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 has been notified on 9th December, 2013. Under the said Act every company is required to set up an Internal Complaints Committee to look into complaints relating to sexual harassment at work place of any women employee.

Company has adopted a policy for prevention of Sexual Harassment at workplace and has set up Committee for implementation of said policy. During the year Company has not received any complaint.

Particulars of Employees

The table containing the names and other particulars of employees in accordance with the provisions of Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is appended as "**Annexure 4**" to the Board's Report.

A statement containing the names of every employee employed throughout the financial year and in receipt of remuneration of Rs. 60 lac or more, or employed for part of the year and in receipt of Rs. 5 lac or more a month, under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is not provided, as none of the employees have been paid remuneration beyond the said limits.

Meetings

During the year 4 Board Meetings, 1 Independent Directors' meeting, 4 Audit Committee Meetings, 1 Nomination & Remuneration Committee Meeting and 1 Stakeholders' Relationship Committee, were held. The details of the meetings are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

Particulars of Loans given, Investments made, Guarantees given and Securities provided are provided in the financial statement (Please refer to Note 29 to the financial statement).

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- a. that in the preparation of the annual financial statements for the year ended 31st March, 2015, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;



- b. that such accounting policies have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2015 and of the profit of the Company for the year ended on that date;
- 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, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that the annual financial statements have been prepared on a going concern basis;
- e. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.
- f. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

Auditors

M/s. B K Shroff & Co., Chartered Accountants, have been appointed as Auditor of the Company for a period of 3 years to hold office from the conclusion of the 24th Annual General Meeting to the conclusion of the 27th Annual General Meeting of the Company, subject to ratification by the members at each Annual General Meeting.

The Audit Committee and the Board of Directors have recommended to the members of the Company, ratification of appointment of M/s. B K Shroff & Co., Chartered Accountants, as Auditor to hold office from the conclusion of the ensuing Annual General Meeting to the conclusion of the 26th Annual General Meeting of the Company.

Auditors' Report

The Auditors' Report does not contain any qualification. Notes to Accounts and Auditors remarks in their report are self-explanatory and do not call for any further comments.

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

Information required under Section 134(3) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is given in "Annexure 5" forming part of this Report.

General

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

1. Details relating to deposits covered under Chapter V of the Act.
2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
3. Mr. Anil Kumar Jain & Mr. Kamal Mitra who are Non-Executive Directors of the Company are executive directors of Indo Count Industries Limited (Holding Company) in the capacity of Chairman & Managing Director and Director (Works), respectively.
4. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

Acknowledgements

Our growth has been made possible because of our culture of professionalism, integrity and continuous evolvement.

Your Directors take this opportunity to thank Central and State Governments, our customers, suppliers, investors and bankers for their consistent support and co-operation to the Company. We place on record our appreciation of the contribution made by employees at all levels, without whose whole-hearted efforts, the overall performance would not have been possible.

Your Directors look forward to the long term future with confidence.

On behalf of Board of Directors

S. K. AGARWAL
CHAIRMAN
DIN: 00400892

Mumbai, 9th May, 2015



Annexure-1

FORM AOC-2

Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso is given below :

- No contracts or arrangements or transactions were entered into by the Company with related parties during the year ended March 31, 2015, which were not at arm's length basis.
- Details of contracts or arrangements or transactions at arm's length basis during the year ended 31st March, 2015:

Sr. No.	Name of the related party	Nature of Relationship	Nature of contracts / arrangements / transaction	Duration of the contracts / arrangements / transactions	Salient terms of the contracts or arrangements or transactions including the value (Rs. In Lacs)	Amount paid as advances, if any
1	Indo Count Industries Limited	Holding Companies	Purchase-Goods	Ongoing	Based on transfer pricing guidelines. Rs. 17.50	Nil
			Sale -Goods	Ongoing	Based on transfer pricing guidelines. Rs. 46.54	
			Purchase -Machinery	Ongoing	Based on transfer pricing guidelines. Rs. 1.13	

Annexure-2

EXTRACT OF ANNUAL RETURN

Form No. MGT-9

as on the financial year ended on 31st March, 2015

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration & other details

CIN	L17119PN1990PLC058139
Registration Date	12/09/1990
Name of the Company	Pranavaditya Spinning Mills Limited
Category / Sub-Category of the Company	Public Company/Limited by shares
Address of the Registered office and Contact details	Office No. 2, Plot No. 266, Village Alte, Kumbhoj Road, Taluka Hatkanangale, Kolhapur, Maharashtra - 416109. Phone: 0230-2483105 / 3292933
Whether listed company	Yes
Name, Address and Contact details of Registrar and Transfer Agent, if any	M/s Big Share Services Pvt. Ltd. E-2/3, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (East), Mumbai 400 072 Telephone No. 022 – 40430200, Fax No. 022 – 28475207 Email id: investor@bigshareonline.com

II. Principal business activities of the Company

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

Sr. No.	Name and Description of main products / services	NIC Code of the Product / Service	% to total turnover of the Company
1	Preparation and spinning of Cotton fibres including blended cotton	13111	100%

III. Particulars of Holding, Subsidiary and Associate Companies

Sr. No.	Name & Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Indo Count Industries Limited	L17119PN1990PLC058139	Holding	74.53	2(46)



IV. Share holding pattern (Equity share capital breakup as percentage of total Equity)

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2014]				No. of Shares held at the end of the year [As on 31-03-2015]				% Change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
A. Promoters									
(1) Indian									
a) Individuals / HUF	0	0	0	0	0	0	0	0	0.0
b) Central Government/ State Government (s)	0	0	0	0	0	0	0	0	0.0
c) Bodies Corporate	14341280	0	14341280	74.53	14341280	0	14341280	74.53	0.0
d) FI/ Banks	0	0	0	0	0	0	0	0	0.0
e) Any other	0	0	0	0	0	0	0	0	0.0
Sub Total (A)(1)	14341280	0	14341280	74.53	14341280	0	14341280	74.53	0.0
2) Foreign									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0.0
b) Bodies Corporate	0	0	0	0	0	0	0	0	0.0
c) Institutions	0	0	0	0	0	0	0	0	0.0
d) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0.0
e) Any other	0	0	0	0	0	0	0	0	0.0
Sub Total (A)(2)	0	0	0	0	0	0	0	0	0.0
Total Shareholding of Promoter and Promoter Group (A)(1)+(A)(2)	14341280	0	14341280	74.53	14341280	0	14341280	74.53	0.0
B. Public Shareholding									
1) Institutions									
a) Mutual Funds / UTI	0	0	0	0	0	0	0	0	
b) Financial Institutions / Banks	51121	0	51121	0.27	51121	0	51121	0.27	0.0
c) Central Government/ State Government (s)	0	0	0	0	0	0	0	0	0.0
d) Venture Capital Funds	0	0	0	0	0	0	0	0	0.0
e) Insurance Companies	0	0	0	0	0	0	0	0	0.0
f) Foreign Institutional Investors	0	0	0	0	0	0	0	0	0.0
g) Foreign Venture Capital Investors	0	0	0	0	0	0	0	0	0.0
h) Any other	0	0	0	0	0	0	0	0	0.0
Sub Total (B)(1)	51121	0	51121	0.27	51121	0	51121	0.27	0.0
2) Non-Institutions									
a) Bodies Corporate	2759753	850	2760603	14.35	1909003	850	1909853	9.93	-4.42
b) Individuals									
i. Individual Shareholders holding nominal share capital up to ₹ 1 lakh	571351	60534	631885	3.28	511503	60313	571816	2.97	-0.31
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1347899	0	1347899	7.01	2299203	0	2299203	11.95	4.94



Share holding pattern Contd.....

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2014]				No. of Shares held at the end of the year [As on 31-03-2015]				% Change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
c) Any other (specify)									
c-i) Clearing Member	0	0	0	0	2666	0	2666	0.01	0.01
c-ii) Trust	98282	0	98282	0.51	54831	0	54831	0.29	-0.22
c-iii) NRI	250	9960	10210	0.05	550	9960	10510	0.06	0.01
Sub Total (B)(2)	4777535	71344	4848879	25.20	4777756	71123	4848879	25.20	0.0
Total Public Shareholding (B)(1)+(B)(2)	4828656	71344	4900000	25.47	4828877	71123	4900000	25.47	0.0
C. Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0	0	0	0	0.0
Grand Total (A+B+C)	19169936	71344	19241280	100	19170157	71123	19241280	100	0.0

(ii) Shareholding of Promoter

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (01.04.2014)			Shareholding at the end of the year (31.03.2015)			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Indo Count Industries Ltd.	14341280	74.53	0	14341280	74.53	0	0
	Total	14341280	74.53	0	14341280	74.53	0	0

iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sr. No.	Particulars	Shareholding at the beginning of the year (As on 01.04.2014)		Cumulative Shareholding during the year (01-04-2014 to 31-03-2015)	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	No changes during the year			
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	No changes during the year			
	At the End of the year	No changes during the year			