



PRANAVADITYA SPINNING MILLS LIMITED

Annual Report 2017-18





Pranavaditya Spinning Mills Limited

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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
Dr. Ashok Desai (w.e.f. 1st August, 2018)

Chief Financial Officer

Mr. Dilip Kumar Ghorawat

Company Secretary and Compliance Officer

Mrs. Amruta Avasare

Auditors

M/s. Suresh Kumar Mittal & Co.

Corporate Office

301, Arcadia, 3rd Floor,
Nariman Point,
Mumbai - 400 021

Registered Office

Office No. 2, Plot No. 266,
Village Alte, Kumbhoj Road,
Taluka Hatkanangale,
District Kolhapur - 416 109,
Maharashtra

Registrar and Share Transfer Agent

Bigshare Services Pvt. Ltd.
1st Floor, Bharat Tin Works Building,
Opp, Vasant Oasis, Makvana Road,
Marol, Andheri (East), Mumbai - 400 059

Bankers

Union Bank of India
HDFC Bank Ltd.

BOARD'S REPORT

Dear Members,

On behalf of the Board of Directors of your Company ("the Board"), it gives me pleasure to present the 28th Annual Report on the business and operations of your Company together with the Audited Financial Statements for the year ended 31st March, 2018.

Financial Results (As per IND AS)

(₹ In Lakhs, except EPS)

Particulars	2017-18	2016-17
Total Income	7,204.14	5,856.21
EBIDTA	(70.74)	35.12
Less : Finance Cost	34.71	17.85
Less : Depreciation	124.36	115.54
Profit / (Loss) before Tax	(229.81)	(98.27)
Less: Provision for taxation	(66.05)	(41.50)
Net Profit / (Loss) after tax	(163.76)	(56.77)
Other Comprehensive Income	6.73	10.18
Total Comprehensive Income	(157.03)	(46.59)
EPS (in ₹)	(0.85)	(0.30)

Dividend

In view of loss incurred by the Company for the year ended 31st March, 2018, the Board of Directors of the Company has not recommended any dividend on equity shares of the Company for the financial year under review.

Management Discussion and Analysis

Operational and Financial Performance

During the year 2017-18, the FOB value of exports increased from ₹ 1320.70 lakhs to ₹ 3563.97 lakhs. Further, your Company achieved total revenue of ₹ 7,204.14 Lakhs as compared to ₹ 5,856.21 in previous year registering growth of 23% over previous year. This indicates positive outlook for demand for yarn. However, cotton prices continued to remain high and volatile during the year under review. Further, volatility in foreign currency, power cost, GST and disparity between cotton and yarn price resulted in net loss of ₹ 163.76 lakhs for the year ended 31st March 2018.

Industry Structure and Development

India's textiles sector is one of the oldest industries in Indian economy and even today, it is one of the largest contributors to India's exports with approximately 13 per cent of total exports. The textiles sector is the second largest provider of employment after agriculture employs about 45 million people directly and 20 million people indirectly and the growth and all round development of this industry has a direct bearing on the improvement of India's economy.

The Indian textiles industry, currently estimated at around US\$ 120 billion, is expected to reach US\$ 230 billion by 2020. The Indian Textile Industry contributes approximately 2 per cent to India's Gross Domestic Product (GDP), 10 per cent of manufacturing production and 14 per cent to overall Index of Industrial Production (IIP).

Outlook 2018-19, Opportunities and Threats

The future outlook for cotton spinning industry looks positive. Favorable weather conditions and remunerative prices are expected to improve the cotton supply situation in India in the next one year. The cotton production in India is likely to increase by around 6 per cent to 36 million bales in CS 2017-2018 versus 33.7million bales last year.

Even though the crop output in CY2019 will continue to be comfortably higher than CY2015 and CY2016, it is expected to fall short of consumption. This may result in a decline in cotton stocks to a seven-year low level next year. Correction in stocks is expected to keep the cotton prices firm over the next 12-18 months.

While domestic demand will be supported by a consumption recovery for the Indian economy, a better economic outlook for most

of textile trade partners and restoration of export incentives, though lower than the pre-GST period, would also support higher growth and firm up yarn prices next fiscal. Besides, supply coming on-stream will be slower in fiscal 2019, which will aid the operating margins of spinners due to higher pricing flexibility. The strong capacity additions over the past 2-3 years, though, will restrict the margins from breaching the levels attained in fiscal 2016.

Any change in government policies related to cotton and yarn, higher raw material cost, competition from peer group, power cost, seasonal fluctuations, non-availability of skilled manpower have impact on spinning industry and are perceived as threats.

Segment

Your Company is mainly engaged in the manufacturing of yarn and operates in a single segment i.e Textiles.

Internal control systems and their adequacy

Your 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 authorization of transactions, safeguarding 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 and Internal audit. The Internal Audit reports are periodically reviewed by the management and the Audit Committee and necessary improvements are undertaken, if required.

Environment Protection, Health and Safety

Environment Protection, Health and Safety continues to receive highest priority in all operational and functional areas. Adequate safety measures are taken at plant for prevention of any untoward incidents. Various processes required for pollution control and environmental protection are strictly adhered to.

Human Resources

Your Company believes and acknowledges competitive advantage of dedicated workforce. Industrial relations continued to be cordial during the year under review.

As on March 31, 2018, your Company has employed 189 permanent employees out of which 44 are permanent staff and 145 are permanent workers.

Share Capital

The paid up equity share capital of the Company as on 31st March, 2018 is ₹ 19,24,12,800/- comprising of 1,92,41,280 Equity shares of Face Value of ₹ 10/- each. During the financial year 2017-18, your Company has neither issued equity shares with differential rights as to dividends, voting or otherwise nor has issued Sweat Equity shares. Your Company does not have any Employee Stock Option Scheme or Employee Stock Purchase Scheme.

Directors and Key Managerial Personnel

During the year under review, there was no change in the composition of the Board of Directors of your Company.

Pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. Anil Kumar Jain, Non-Executive, Non Independent Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for the re-appointment. The Board recommends his re-appointment for consideration at the ensuing Annual General Meeting. Members are requested to refer the Notice of the ensuing Annual General Meeting for brief profile and other related information of Mr. Anil Kumar Jain, Director retiring by rotation.

All the Independent Directors of the Company have given declarations that they meet the criteria of independence as prescribed under Section 149 (6) of the Companies Act, 2013 and Regulation 16 (1) (b) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 ("Listing Regulations").

As on 31st March, 2018, Mr. Ashok G. Halasangi, Chief Executive Officer, Mr. Dilip Kumar Ghorawat, Chief Financial Officer and Mrs. Amruta Avasare, Company Secretary are the Key Managerial Personnel (KMP) of the Company in terms of Section 203 of the Companies Act, 2013.

Number of Board Meetings

During the year under review, 4 Board Meetings were held on 11th May, 2017, 4th August, 2017, 6th November, 2017 and 12th February, 2018. The maximum interval between any two consecutive Board meetings did not exceed 120 days.

Company's policy on appointment and remuneration of Directors and Key Managerial Personnel

Your Company has adopted Nomination and Remuneration Policy for appointment and remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. The Nomination and Remuneration Policy is given in the Corporate Governance Report.

Annual Evaluation of Board Performance and its Committees and Directors

Criteria of performance evaluation of the Board of Directors including Independent Directors are laid down by Nomination and Remuneration Committee of the Company. Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, the Board has carried out performance evaluation of its own, evaluation of working of the committees and performance evaluation of all Directors. A questionnaire containing the parameters of performance evaluation along with rating scale was circulated all the Directors. A separate meeting of Independent Directors of the Company was held on 11th May, 2017 in which Independent Directors inter-alia reviewed performance of Non-Executive Independent Chairman and other Non-Independent Directors. The Board expressed their satisfaction with the evaluation process. More details on performance evaluation are provided in corporate governance report.

Directors' Responsibility Statement

Pursuant to the provisions of Section 134(3)(c) and 134(5) of the Companies Act, 2013, your Directors, to the best of their knowledge and belief and according to the information and explanations obtained by them, state and confirm that:

- in the preparation of the annual accounts for the year ended 31st March, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- such accounting policies as mentioned in the notes to the Financial Statements for the year ended 31st March, 2018 have been selected and applied consistently and judgments 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, 2018 and of the loss of the Company for the year ended on that date;
- 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;
- the annual financial statements for the year ended 31st March, 2018 have been prepared on a going concern basis;
- internal financial controls to be followed by the Company have been laid down and that the said financial controls were adequate and were operating effectively;
- proper systems to ensure compliance with the provisions of all applicable laws have been devised and such systems were adequate and operating effectively.

Audit Committee

During the year under review, there was no change in the composition of the Audit Committee of the Company.

As on 31st March, 2018, the Audit Committee comprises of Mr. S. K. Agrawal (Chairman), Mr. P. N. Shah, Mr. R. Anand and Mr.

Kamal Mitra. More details on the Audit Committee are given in Corporate Governance Report. All the recommendations made by the Audit Committee were accepted by the Board.

Statutory Auditors

In accordance with the provisions of Section 139 of the Companies Act, 2013, at the Annual General Meeting ("AGM") held on 21st August, 2017, M/s. Suresh Kumar Mittal & Co., Chartered Accountants (Firm Registration No. 500063N) were appointed as the Statutory Auditors of the Company for a period of 5 years to hold office from the conclusion of the 27th AGM till the conclusion of 32nd AGM subject to the ratification by members at every AGM.

The Audit Committee and the Board of Directors of the Company at their meetings held on 30th April, 2018 have recommended to the members of the Company, ratification of appointment of M/s. Suresh Kumar Mittal & Co., Chartered Accountants (Firm Registration No. 500063N) as Statutory Auditors of the Company to hold office from the conclusion of the 28th Annual General Meeting till the conclusion of 29th Annual General Meeting of the Company. The Company has received a letter from M/s. Suresh Kumar Mittal & Co., Chartered Accountants confirming that they are eligible for ratification of their appointment.

Auditors' Report

The Auditors' Report on standalone financial statements forms part of this Annual Report. The Auditors' Report does not contain any qualifications, reservations, adverse remarks, disclaimer or emphasis of matter. Notes to the Financial Statements are self-explanatory and do not call for any further comments.

Secretarial Auditors and Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with rules thereunder, the Board has appointed M/s. Kothari H. & Associates, a firm of Practising Company Secretaries to conduct Secretarial Audit of the Company for the year ended 31st March, 2018. The Secretarial Audit Report issued by them in Form No. MR-3 is provided as "Annexure 1" to this Report. The Secretarial Audit Report does not contain any qualifications, reservations or adverse remarks.

Public Deposits

During the year under review, your Company has not accepted any deposits from public, under Chapter V of the Companies Act, 2013.

Subsidiaries

Your Company does not have any subsidiaries or joint ventures or associate companies as defined under Companies Act, 2013.

However, your Company has framed a policy for determining material subsidiaries, which can be accessed at <http://www.pranavaditya.com/admin/uploads/pdf/PSML%20Policy%20on%20Material%20Subsidiaries.pdf>.

Corporate Governance Report

As per Regulation 34(3) read with Schedule V of the Listing Regulations, your Company has complied with the requirements of corporate governance. A Corporate Governance Report along with Statutory Auditors' Certificate confirming its compliance for the year ended 31st March, 2018 is provided separately and forms integral part of this Annual Report.

Extract of Annual Return

Pursuant to the provisions of Section 92 (3) of the Companies Act, 2013, Extract of the Annual Return as on 31st March, 2018 in Form No. MGT-9 is provided as "Annexure 2" to this Report.

Secretarial Standards

During the year under review, your Company has complied with all applicable standards.

Related Party Transactions

All Related Party Transactions entered during FY 2017-18 were on an arm's length basis and in the ordinary course of business and were in compliance with the applicable provisions of the Companies Act, 2013 ("The Act") and Listing Regulations. The related transactions are provided in the notes to financial statements. On the basis of Audited Financial Statements of the Company for the year ended 31st March 2018, the transactions pertaining to sale of yarn entered into with Indo Count industries Limited, Holding Company for the year ended 31st March 2018 qualify for material related party transactions under Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and approval of members is sought for the same at the ensuing Annual General Meeting. Pursuant to the provisions of Section 134 of the Companies Act, 2013, particulars of contracts/arrangements with Related Parties are provided in Form AOC-2 as "Annexure 3" to this Report.

The prior omnibus approval of Audit Committee is obtained for all Related Party Transactions. A statement of all Related Party Transactions is reviewed by the Audit Committee and Board on quarterly basis. Your Company has adopted a policy on Related Party Transactions and is uploaded on the website of the Company at <https://pranavaditya.com/admin/uploads/pdf/PSML-%20Policy%20on%20Related%20Party%20Transactions.pdf>

Particulars of Loans, Investments, Guarantees, Securities under Section 186 of the Companies Act, 2013

During the year under review, pursuant to Section 186 of the Companies Act, 2013, no Loans were given to any person, nor any Guarantees or securities were provided. Further, no investment was made in the securities of any other bodies corporates.

Risk Management

The Company has devised Risk Management System which takes care of risk identification, assessment and mitigation. Some of the risks faced by the company are raw material price risk, financial risk, foreign currency risk etc. At present, there are no risks which in the opinion of the Board threaten the existence of the Company. The Internal Audit Report and Risk Management Framework are reviewed by the Audit Committee.

Vigil Mechanism / Whistle Blower Policy

Pursuant to the provisions of Section 177 (10) of the Companies Act, 2013 and Regulation 22 of the Listing Regulations, your Company has established a vigil mechanism for the Directors and employees of the Company to report concerns about unethical behaviour, actual or suspected incidents of fraud or violation of Code of Conduct. The details of Vigil Mechanism/Whistle Blower Policy are provided in the Corporate Governance Report. The Vigil Mechanism / Whistle Blower Policy may be accessed on the Company's website at www.pranavaditya.com.

Policy on Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace

In order to prevent sexual harassment of women at workplace, your Company has adopted a policy for prevention of Sexual Harassment of Women at workplace and has set up an Internal Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 to look into complaints relating to sexual harassment at workplace of any woman employee. During the year under review, the Company has not received any complaint pertaining to sexual harassment and no complaint was pending as on 31st March, 2018.

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

Information on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo required under Section 134 (3) (m) of the Companies Act, 2013 read with Rules thereunder is given as "Annexure 4" forming part of this Report.

Particulars of Employees and related disclosures

The information required pursuant to Section 197 read with Rule 5(1), 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014 is provided as “Annexure 5-(I)” and “Annexure 5-(II)” to this report regarding remuneration of Directors, Key Managerial Personnel and other related disclosures.

Significant or Material orders passed by Regulators / Courts

During the year under review, 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.

Material Changes and Commitments affecting the Financial Position of the Company

There are no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year 2017-18 and the date of this report.

General

Your Directors state that no disclosure or reporting is required in respect of the following items as the said provisions are not applicable to your Company during the year under review:

1. Cost Audit
2. Corporate Social Responsibility

Acknowledgements and Appreciation

We place on record sincere appreciation for the contribution and commitment by all the employees of the Company.

Your Directors take this opportunity to thank Central and State Governments, customers, suppliers, bankers and stakeholders for their consistent support and co-operation to the Company.

For and on behalf of Board of Directors

Dated : 30th April, 2018
Place : Mumbai

S. K. AGRAWAL
CHAIRMAN
DIN: 00400892

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED ON 31st MARCH, 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
PRANAVADITYA SPINNING MILLS LIMITED

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Pranavaditya Spinning Mills Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2018 ('Audit period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance- mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

- We have examined the books, papers, minute books, forms and returns filed and other records maintained by Pranavaditya Spinning Mills Limited for the financial year ended on March 31, 2018 according to the provisions of:
 - i. The Companies Act, 2013 (the Act) and the rules made thereunder;
 - ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
 - iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
 - iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
 - v. The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz. :-
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable to the company during the Audit Period)
 - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share based Employee Benefits) Regulations, 2014; (Not applicable to the company during the Audit Period)
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the company during the Audit Period)
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act, 2013 and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the company during the Audit Period) and
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the company during the Audit Period)