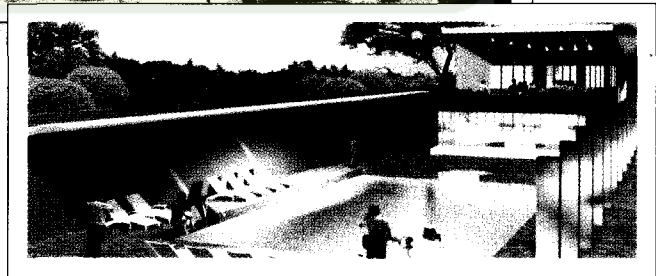
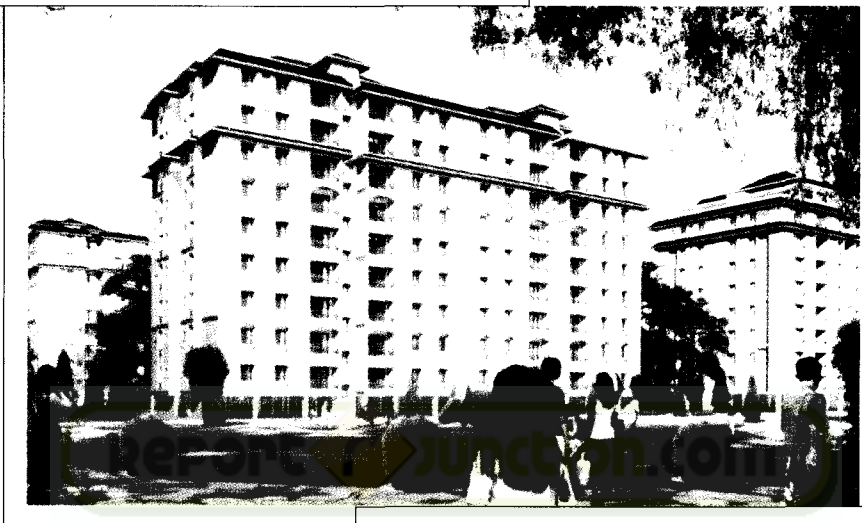


Annual Report 2006-07



PRIME

PRIME TEXTILES LIMITED



Residential Apartments
under Construction



Interiors of sample flat

PRIME
enclave
TIRUPUR



PRIME TEXTILES LIMITED

Annual Report 2006-07

BOARD OF DIRECTORS

Mr. MADAN LAL PATODIA

Chairman

Mr. PURUSHOTTAM PATODIA

Vice Chairman & Managing Director

Mrs. MINNU THOMAS

(Nominee of IDBI)

Mr. N.K. BAFNA

Mr. BANWARILAL SINGHAL

Mr. CHANDULAL D. THAKKER

Mr. MANOJ KUMAR PATODIA

Managing Director

Mr. ANUJ K. PATODIA

Executive Director

COMPANY SECRETARY

Mr. S. RENGASAMY

AUDITORS

MESSRS. M.S. JAGANNATHAN & VISVANATHAN

Chartered Accountants, Coimbatore

LEGAL ADVISORS

MESSRS. RAMANI & SHANKAR

Advocates, Coimbatore

BANKERS

CENTRAL BANK OF INDIA

BANK OF INDIA

CANARA BANK

REGISTERED OFFICE

110, Avinashi Road
Gandhinagar Post
Tirupur-641 603
India

PRIME TEXTILES LIMITED

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The Quality Advantage

DIRECTORS' REPORT

To the Members

Your Directors are presenting their Seventieth Annual Report and the Audited Accounts for the year ended 31st March 2007.

FINANCIAL RESULTS AT A GLANCE

	Year ended March 31, 2007 Rs.lacs	Year ended March 31, 2006 Rs.lacs
Turnover and other Income	11,891	11,165
EBIDTA	1,099	1,524
Interest	648	724
Depreciation	481	453
Amortisation	110	216
Profit / (Loss) before taxes	(140)	131
Current Taxation	--	(7)
Deferred taxation	(57)	75
Fringe benefit tax	(25)	(9)
Minimum Alternate Tax Credit entitlement	--	7
Profit / (Loss) after tax	(222)	197
Surplus from previous year brought forward	86	142
Transfer from General Reserve	200	--
Amount available for appropriation	64	339
Appropriations:		
Proposed Dividends-		
On Equity Capital	27	34
On Preference Capital	12	12
Tax on Distributed Profits	7	7
Transfer to General Reserve	--	200
Surplus carried over to Balance Sheet	18	86
Total Appropriations	64	339

DIVIDEND

Your Directors recommend a Dividend @6% on Equity Shares and @8% on Preference Shares for the year ended 31st March 2007. The dividends when declared would be tax free in the hands of the shareholders.

REVIEW OF OPERATIONS

Your Company has three Divisions which are the Realty Division, the Yarn Division and the Garment Division.

I Realty Division

A report by CREDAI puts the country's combined commercial and residential real estate market valued at US\$12 billion, which is around 2% of the country's GDP and 2% of total market capitalization. As the country's appetite for shopping and entertainment grows, multiplexes and malls are forging new synergies, offering shoppers the option of watching movies in retail spaces. The realty market is growing at a rate of 30% annually. In the explosion of life-styles and youthful aspirations that has taken place, the real estate industry is reaching out to wider target audiences and is meeting new demands. Your Company foresees real estate in the coming years to emerge as a full-fledged investment option and leveraged for investment purposes. Real estate as an asset class has a natural hedge against inflation, experiences low volatility and hence can generate positive long-term returns.

Tirupur has undergone major transformation in the past decade in order to remain a driving force for exports business and growth and has developed substantial cluster economy. The city has a huge potential to contribute richly for the national economic growth. With the valuable landed properties in possession of your Company in and around Tirupur, it has initiated property development activities.

The Realty Division started in partnership for building "Prime Enclave" the flag ship activity offering residential flats with luxury at affordable costs. The project with total 432 residential apartments (built-up area at about 581,000 sft) is under implementation. The Phase-1 with 216 apartments is expected ready for delivery by July 2007. The Phase-2 with balance 216 apartments is expected ready for delivery by March 2009. It is expected that upon recognition of profits in due course, strong revenue growth and shareholder returns will be ensured when the different phases of constructions are completed within stipulated time.

The Commercial Mall (built-up area at about 278,000 sqft) is planned for launch by August 2007. The Mall matches world-class standards so far as amenities are concerned, offers amusement spots, convention centers, food courts, shopping and offices, multiplexes and star category hotel. The Mall will introduce organized retailing in Tirupur and is expected to attain a fast track growth catching up imagination of young retailers. For purposes of design, construction, development and marketing of the floors in the commercial complex, your company has entered into a partnership with experienced technocrats/financiers. The Mall will become operational by the year 2009.

Matching the Company's distinctive capabilities with the Realty Division is considered where profitable growth and increased shareholders' value are likely to occur. Your Company has also planned to widely position its Realty Division through strategic partnerships for joint development of other properties. This will cater to a strong demand foreseen for dwelling units and leisure needs.

II Yarns Division

The textile industry is presently reeling under pressure on its margins with the strengthening of the Rupee against US\$. This combined with high tariff for power in Tamil Nadu State, unscheduled power failures, high cost of furnace oil rendering captive generation uneconomical, slump in local demands and declining market share have rendered the textile industry on a cross road. These factors have put pressure on the companies that have systematically lagged behind competition to look at other options available.

The Spinning Division having absorbed latest technological advancements had to face stiff pressure on its margins. It changed its product mix into coarser counts of yarns to cater to domestic markets also but has not been able to reach expected results.

III Garments Division:

The Garments Division registered the anticipated growth in sales volume by adapting to changing business and market needs. Without the undercurrent of a strong margin in this segment owing to various extraneous factors the Division's capacity to capture opportunities has remained subdued. It has become very challenging for the management to deliver desired performance in the Division which faced a prolonged period of suboptimal performance and margin erosion.

PROJECTS

As you are aware, in your Company, a number of parallel projects and initiatives were taken in the previous year relating to transitioning the development and expansion of capacities. Main among them was proposed project for manufacture of Home Textiles in Vijayawada, Andhra Pradesh. Unfortunately the project ran into rough waters with land acquisition measures coming to a stand still, with the result various alternates are under study.

CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements for the year ended March 31, 2007 form part of the Annual Report.

SUBSIDIARY COMPANIES

The Reports and Audited Accounts of the subsidiary companies along with the statement pursuant to Section 212 of the Companies Act, 1956, form part of the Annual Report.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Company has adopted appropriate standards for good Corporate Governance. All the mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which the Company is listed, are complied with. Report on Corporate Governance with Management Discussion and Analysis as required under the Listing Agreements with the Stock Exchanges forms part of the Annual Report.

In terms of sub-clause (v) of Clause 49 of Listing Agreement, certificate of the CEO/CFO, *inter alia*, confirming the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee in terms of the said Clause is also annexed as part of the said Report. A certificate from the auditors to this effect is annexed as part of the Corporate Governance Report.

ENVIRONMENT AND POLLUTION CONTROL

Your Company has been complying with the State Environment and Pollution Control statutes and has instituted adequate measures towards environmental protection.

FIXED DEPOSITS

There are no unpaid deposits except the ones matured but remaining unclaimed amounting to Rs. 1.69 lacs (Rs.1.00 lac) by four depositors.

LISTING AT STOCK EXCHANGES

The Equity Shares of the Company are listed on the Bombay Stock Exchange, Mumbai. The Company has paid the listing fees to Bombay Stock Exchange upto 2007-08. The Company's application for delisting its equity shares from Coimbatore Stock Exchange is pending approval from the Coimbatore Stock Exchange.

During the year your Company redeemed the Preference Shares through the proceeds of a fresh issue of 7-years 8% Redeemable Preference Shares totaling to Rs. 150 lacs.

DISCLOSURE OF PARTICULARS

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information and data is given in Annexure B.

DEPOSITORY SYSTEM

As the members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialization of the Company's shares on either of the Depositories as aforesaid.

SUB DIVISION OF SHARES

During the year, the stock-split of the equity shares in your Company in the ratio of 5 equity shares of Rs.2 each in place of every one equity share of Rs. 10 each has been completed. The demat account of the shareholders is automatically updated by the concerned Depositories after the Record date of the new sub divided shares. In respect of shareholders holding physical share certificates need not surrender the existing physical share certificates for their current holdings in the company and the new share certificates have been issued in lieu of the original share certificates. The shareholders holding physical share certificates may please note that the old share certificates are no longer tradable and will not be accepted by the DPs for dematerialization.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. Banwarilal Singhal and Mr. N.K. Bafna retire by rotation as Directors at the ensuing Annual General Meeting and are eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm that

- i. In the preparation of the annual accounts, the applicable Accounting Standards have been followed.
- ii. The Accounting Policies adopted are consistently followed and the judgments and estimates made 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 / (Loss) of the Company for the year.
- iii. The Directors have taken proper and sufficient care as warranted for the maintenance of adequate accounting records in accordance with the provisions of this Act in safeguarding the assets of the Company and for preventing/detecting any incidence of frauds and other irregularities.
- iv. The Annual Accounts have been prepared on a going concern basis.

COST AUDIT

The reports of M/s.Mahadevan & Co., Cost Accountants, in respect of audit of cost accounts of the Company for the year ended March 31, 2007 will be submitted to the Central Government within the stipulated time limit.

AUDITORS

The Statutory Auditors of the Company, Messrs M.S.Jagannathan & Visvanathan, Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if reappointed.

PARTICULARS OF EMPLOYEES

A statement showing the particulars of employees referred to in sub section (2A) of section 217 of the Companies Act 1956 read with Companies (Particulars of employees) Rules 1975 is given in Annexure A forming part of the report.

ACKNOWLEDGEMENTS

Your Directors record with a deep sense of gratitude the excellent support and cooperation rendered by all stakeholders including bankers and business associates, and cooperation extended by the employees at all levels. The Directors thank the State and the Central government offices for various assistances rendered to the Company.

For and on behalf of the Board of Directors

Place : Kolkata
Date : 28.05.2007

Madan Lal Patodia
Chairman

ANNEXURE A

Particulars of employees as required under sub section(2A) of Section 217 of the Companies Act, 1956 and the rules made thereunder forming part of the Directors Report

A. Employees who worked throughout the accounting year and whose remuneration aggregating Rs.24,00,000 or more per year

Name	Age	Designation	Nature of duties	Qualification & Experience	Date of commencement	Last employment held	Amount of Remuneration
Mr. Purushottam Patodia	67	Vice Chairman & Managing Director	Overall managerial supervision	B.Com (45 years)	20.10.1989	GTN Textiles Ltd.	Rs.46.94 lacs
Mr. Manojkumar Patodia	43	Managing Director	Overall managerial supervision	B.Com (20 years)	01.01.1995	Yarn Syndicate Ltd.	Rs. 31.62 lacs

B. Employees who worked during part of the accounting year and whose remuneration aggregating Rs.2,00,000 or more per month : None

Notes:

1. Nature of employment : Contractual
2. The remuneration includes Salary, Company's contribution to Provident Fund, Super Annuation Fund, Medical Expenses and other perquisites evaluated as per Income tax Rules wherever necessary
3. Mr. Purushottam Patodia is related to Mr. Madan Lal Patodia, Chairman, Mr. Manojkumar Patodia, Managing Director and Mr. Anuj K. Patodia, Executive Director and Mrs. Indira Devi Patodia, Sales Executive of the Company.

For and on behalf of the Board

Place: Kolkata
Date : 28.05.2007

Madan Lal Patodia
Chairman

ANNEXURE B

Management's Discussion and Analysis

Overview

Prime Textiles Limited is a Government Recognized 2-Star Export House, accredited to the ISO-9002 Quality Standards and the Oeko Tex Standard-100. The Company has a Realty Division for developing land banks in Tirupur and other tier-II cities. It has an eco-friendly Spinning Unit, and a Knitted Garments Unit situated at Tirupur and a Post-spinning Unit near Satyamangalam for carrying out value-addition processes of TFO twisting and singeing.

The Realty Division of the company has been progressing with property development activities in full swing. The Division is expected to evolve a business model in achieving the overall goal of being the leading company in generating dependable returns over the long term. The Company plans to go the extra mile in creating and harvesting high quality properties to keep pace with a fast growing market. The Company has been imparting high level of professionalism in all its construction activities.

The year under report has been a period of mixed basket for the company. In order to remain competitive in its Yarns Division and the Garments Division, various measures such as change over to coarser counts to cater to local demands, assertive marketing efforts, focus on increasing efficiency levels and implementation of effective cost control measures were taken up. Due to factors such as high incidence of cost of power, frequent interruptions in power supplies, sluggish and un-remunerative market conditions and adverse impact of currency fluctuations, both the turnover and the profitability in these two Divisions are adversely impacted.

TOWARDS ENHANCEMENT OF STAKEHOLDER VALUE

Corporate structures in the country are remodeling to remain competitive. Business designs that have outlived and rapidly become unsustainable and inconsistent are being discarded. Companies operating in perennially unprofitable and over competitive sectors need to take a re-look on alternatives for competition. Such companies require a changed focus looking for new, sustainable business modules. A module resulting in a high ROI alone can enhance stakeholder value year-on-year.

Measures During The Year

Property Development

The Company has launched development of company owned prime lands in partnership with technocrats and others. At present, the construction of Residential Apartments is underway and Phase-1 for 216 apartments will be ready for delivery by end-July 2007. The Phase-2 with further 216 residential apartments is in progress as per schedule. Revenue from the above two phases accruing to the Company from the partnership firm will be recognised only upon the said firm recognising the same.

The construction of the proposed Commercial Mall providing world-class amenities is expected to commence by August 2007 and to become operational in the year 2009. It offers amusement spots, convention centers, food courts, shopping and offices, multiplexes and star category hotel. This state-of-the-art mall, first of its kind in Tirupur, is expected to redefine the way the city shops. It is expected that organized retailing attains a fast track growth in Tirupur, fuelled by such a mall catching up imagination of young retailers.

Spinning Unit

The following measures were taken:

- Counts spun were made coarser with introduction of new products and product mixes.
- With the captive power-plant becoming uneconomical due to high cost of furnace oil, shift was made for SEB supply, despite the fact that the power tariff in the State is one of the highest in the country.
- In order to bring about a qualitative output, inconsistent and old ring frames were stopped. This brought about the possibility for the company to produce coarser counts using Indian varieties of cotton.
- Shift was made to new markets both international and domestic with a view to have better margins.

Garments Unit

The following measures were taken:

- Various value-added new products and product-mix were introduced.
- Outsourced production still could not be fully curtailed due to overall shortage of labour.
- The factory is recognized for bulk production to select US customers, a marked shift from the EU markets.
- With the location of various buying houses in Tirupur, better supply chain management is ensured.
- Cost of production was marginally reduced.

BUSINESS ANALYSIS

Review of Operations

In the Realty Division, the Residential construction spanning to 581,000 sq ft is under implementation. Towards delivering enhanced value to shareholders in the years to come, Prime will reposition itself for reaping more opportunities in the Realty sector.

In the Yarns Division, the performance during the year under review has been badly affected due to depressed demands for the products, exports offering wafer thin margins and high holding of inventories. Another factor contributing to the operational loss in spinning was the unabated increase in cost of manufacturing. Even though various efforts were taken in the recent past, the labour cost has still remained high; the cost of power has dented profitability; and overly high fixed costs remain unabsorbed due to low product contributions. Sustained marketing efforts have been taken for penetrating new markets and these are yet to be fruitful.

In the Garments Division, sustained efforts were put in improving the scale of operations. The operations still have remained low resulting in suboptimal capacity utilization.

Financial Review And Analysis

Highlights

Year ended 31 st March	2007 Rs.lacs	2006 Rs.lacs
Net Turnover	11,704	10,856
Other Income	187	308
PBIDT	989	1,308
Interest	648	724
Depreciation	481	453
Profit/(Loss) before Taxes	(140)	131
Current tax	--	7
Fringe Benefit Tax	25	9
Profit/(Loss) after Current Tax	(165)	115
Deferred Tax	(57)	75
Minimum Alternate Tax Credit entitlement	--	7
Profit/(Loss) after tax	(222)	197

Income Tax

Deferred tax asset relating to the current year stands credited to the current revenues of the Company. There is no incidence for Minimum Alternate Tax liability.

Return on Capital Employed

Particulars for year ended 31 st March	2007 Rs.lacs	2006 Rs.lacs
Net Fixed Assets (sans Revaluation)	6,072	6,623
Net Current Assets	4,744	5,153
Capital Employed	10,816	11,776
PBIT	(222)	856
ROCE	NA	5.17%