

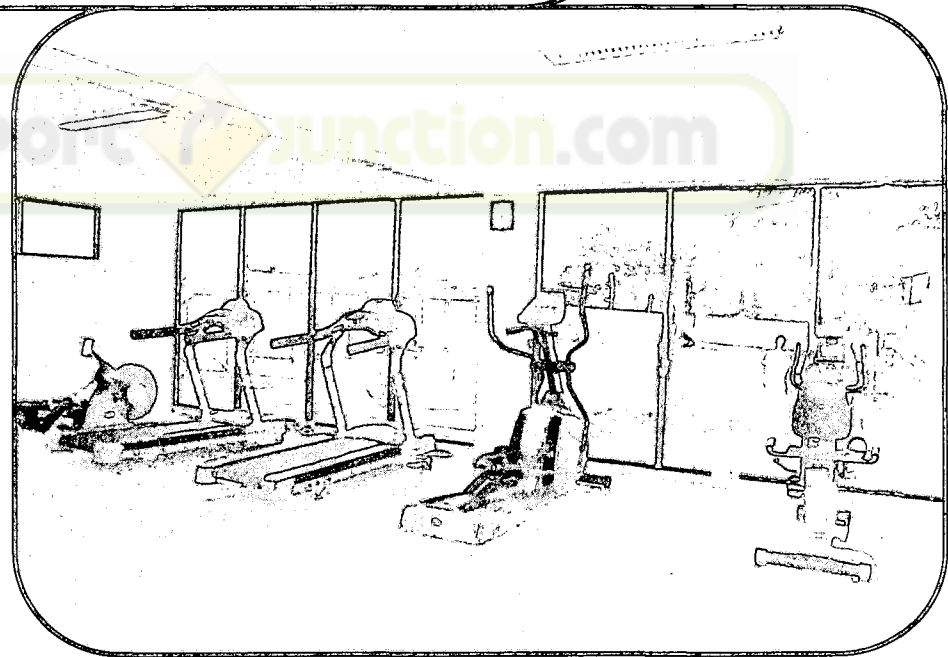
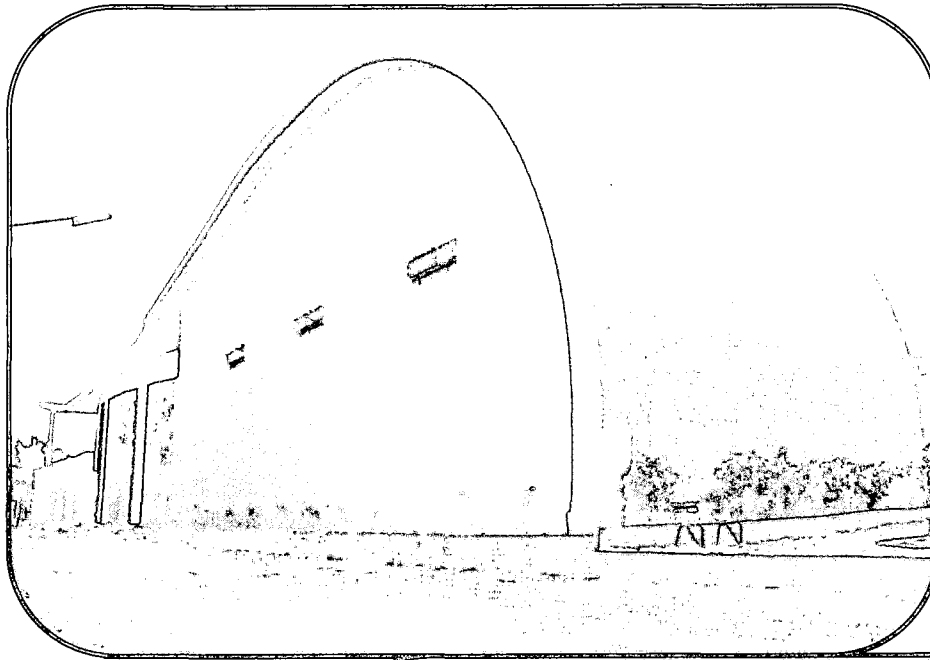
Annual Report 2007-08



PRIME TEXTILES LIMITED

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Amenities



PRIME
enclave
TIRUPUR

PRIME TEXTILES LIMITED

Annual Report 2007-08

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

(Up to 30-06-2008)

Mr. VIJAY KUMAR BHANDARI

(From 30-06-2008)

Mr. MANOJ KUMAR PATODIA

Managing Director

Mr. ANUJ K. PATODIA

Executive Director

Mr. B.K. SRINIVASA RAGAVAN

Director (Finance & Admin)

(From 27-07-2007)

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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DIRECTORS' REPORT

To the Members

Your Directors are presenting their Seventy First Annual Report and the Audited Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS AT A GLANCE

	Year ended March 31, 2008 Rs.lacs	Year ended March 31, 2007 Rs.lacs
Turnover and other Income	10,689	11,891
EBIDTA	918	1,099
Interest	722	648
Depreciation	475	481
Amortisation	114	110
Profit/(Loss) before taxes	(393)	(140)
Current Taxation	-	--
Deferred Taxation Benefit/(Expenses)	435	(57)
Fringe benefit tax	(16)	(25)
Minimum Alternate Tax Credit entitlement	8	--
Profit / (Loss) after tax	34	(222)
Surplus from previous year brought forward	18	86
Transfer from General Reserve	75	200
Amount available for appropriation	127	64
Appropriations:		
Proposed Dividends-		
On Equity Capital	27	27
On Preference Capital	8	12
Tax on Distributed Profits	6	7
Surplus carried over to Balance Sheet	86	18
Total Appropriations	127	64

DIVIDEND

Your Directors are pleased to recommend a Dividend of 6% on 2,27,43,600 Equity Shares of Rs.2/- each absorbing Rs. 27.29 lacs and to recommend a Dividend @8% on 1,50,000 8% Preference Shares of Rs.100 each upto the date of redemption absorbing Rs.7.89 lacs for the year ended 31 March 2008.

The above Dividends, if declared, will be paid to those Members whose names appear in the Register of Members on the date of the ensuing Annual General Meeting. You may please note the fact that the Dividend recommended above is free of tax in the hands of the shareholders. The tax on distributed profits, payable by the Company would amount to Rs. 5.98 lacs.

REVIEW OF OPERATIONS

Your company has two reportable segments the Realty Division and the Textile Division.

The Realty Division

Favorable socio-economic changes are driving the demand for premium housing in the country, while organized retail and IT/ITeS are emerging as major growth drivers in the commercial and real estate sector. The sector is brought to international spotlight with the entry of FDI following regulatory changes made in recent years.

In a short span of three years your company has evolved into becoming a premier developer. By partnering with premier, best-in-class international real estate companies and FDIs, it now stands at the threshold of spanning all market segments - from residential and recreational developments to commercial, hospitality industry and office spaces. The company which has redefined quality norms in Tirupur, shortly launches villas and apartments built in condominium style, the township will be self-contained, providing its residents world-class facilities - both basic and recreational.

The flag ship activity in the Realty Division "Prime Enclave" is offering luxury at affordable costs in 432 residential apartments (built-up area at about 581,000 sqft). Phase-1 with 216 apartments is completed. The Phase-2 with 72 apartments is expected ready for occupation by end-August 2008. Phase-3 comprising of balance 152 apartments is expected to commence construction by October 2008. Despite escalation in all input costs, strong revenue growth and shareholder returns will be ensured when the different phases of constructions are completed.

PRIME TEXTILES LIMITED

Your company is a partner with other technocrats for constructing the Commercial Mall (built-up area at about 238,000 sqft) on a prime land at Tirupur sold to an investor group. The construction has commenced and is expected to complete by July 2010.

The Realty Division has emerged as core business of the company. The Division has set its goals for reaping opportunities for profitable growth and increased shareholders' value.

The Textile Division

During the year under report, the textile industry reeled under extreme hardship. The cotton yarn industry remains faced with rising interest rates, dwindling margins on exports, unremunerative cotton prices, non-availability of consistent quality of raw cotton, sluggish local markets and heavy accumulation of unsold finished stocks.

The operation of the Spinning unit at Tirupur was suspended from November 2007 on account of adverse market conditions and uneconomical working. Efforts to revive the operations in the same location or elsewhere did not bring any results. The management conceded to the demands of the workmen of the unit for reaching a settlement of their services. Under a scheme for voluntary retirement agreed upon, the workmen have opted and have been discharged from services. Consequently the Spinning unit ceases to be in operation with effect from 31st March 2008.

The Garments Unit at Tirupur

During the year under report, the unit faced the brunt of general slow-down in the international trade accentuated with rupee appreciation eroding its profits. With its production predominantly for exports, the unit has recovered in the recent months to return to profitable operations.

The Post-spinning Unit at Sathyamangalam

The operations of the unit have been carried out unhindered. The unit outsources cotton yarns for rendering value-addition processes and caters to both domestic and international markets. It thereby helps in retaining the customer-base for enabling the backward integration into spinning at an opportune time.

Proposal for setting-up manufacturing unit for home textiles

In view of the continued recessionary trends in the home textiles markets your directors have kept on hold the proposed project in a wholly-owned subsidiary company for manufacture of home textile products. Decision on resuming implementation would be taken in due course.

CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements for the year ended March 31, 2008 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.0.75 lacs (Rs.1.69 lacs) by one depositor.

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 2008-09. The company's application for delisting its equity shares from Coimbatore Stock Exchange is pending approval.

REDEMPTION OF PREFERENCE SHARES

During the year your Company has redeemed the Preference Shares totaling to Rs.150 lacs by way of transfer from General Reserve.

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. A Cash Flow Statement, as required by Clause 32 of the Listing Agreement with the stock exchanges is forming part of the Notes on accounts.

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.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. Madan Lal Patodia retires by rotation as Director at the ensuing Annual General Meeting and are eligible for re-appointment.

Under Article 113, Mr.B.K.Srinivasa Ragavan was appointed as Whole-time Director (Finance & Admin) with effect from July 27, 2007.

Under Section 262 of the Companies Act, 1956 and Article 92 of the Articles of Association of the company, Mr.Vijay Kumar Bhandari was appointed as Director liable to retire by rotation in the casual vacancy with effect from June 30, 2008.

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 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, 2008 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 : 30.06.2008

Madan Lal Patodia
Chairman

PRIME TEXTILES LIMITED**ANNEXURE A**

Particulars of employees as required under sub section (2A) of Section 217 of the Companies Act, 1956 and the rules made there under 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	68	Vice Chairman & Managing Director	Overall managerial supervision	B.Com (45 years)	20.10.1989	GTN Textiles Ltd.	Rs.48.98 lacs
Mr. Manojkumar Patodia	44	Managing Director	Overall managerial supervision	B.Com (20 years)	01.01.1995	Yarn Syndicate Ltd.	Rs. 33.68 lacs
Mr. Anuj K. Patodia	35	Executive Director	Overall managerial supervision	B.Com (15 years)	21.06.2002	Prime Processors Limited	Rs.28.88 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.

For and on behalf of the Board

Place: Kolkata
Date : 30.06.2008

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. It has two business segments Realty Division and Textile Division. The Realty Division is developing land banks in Tirupur and other tier-II cities. The Textile Division includes the Knitted Garments unit at Tirupur and Post-spinning Unit at Sathyamangalam.

The Realty Division of the company has been developing residential apartments on a prime land owned by the company and is constructing the Commercial Mall in partnership with other technocrats. With the realty business emerging as the core activity of the company, the Division expects to achieve the spectacular growth to generate dependable returns. 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 operation of the Spinning unit at Tirupur was suspended from November 21, 2007 on account of adverse market conditions and its uneconomical working. As a sequel to the discharge of workmen opting for voluntary retirement the unit ceases to operate from 31st March 2008.

TOWARDS ENHANCEMENT OF STAKEHOLDER VALUE

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.

Measures During The Year

Property Development

The Realty Division has spearheaded in the plans it had drawn. In its growth pattern it has partnered with major players in the field in order to reap benefit from their expertise and the FDIs in rendering necessary financial strengths. The Realty Division has started with building in partnership "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 construction of the Commercial Mall has commenced and is expected to complete by July 2010.

BUSINESS ANALYSIS

Review of Operations

In the Realty Division, the Residential construction spanning to 581,000 sft is under implementation. Towards delivering enhanced value to shareholders in the years to come, Prime has repositioned itself for reaping more opportunities in the realty sector.

In the Garments unit, sustained efforts were put in improving the scale of operations. Various value-added new products and product-mix were introduced. 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.

The Post-spinning unit at Sathyamangalam has been operating with low margins. The unit outsources yarns for rendering value-added processes. The scale of business is being enlarged to cater to demands from the customer base built up by the company over past decades.

PRIME TEXTILES LIMITED**Financial Review And Analysis
Highlights**

Year ended 31 st March	2008 Rs.lacs	2007 Rs.lacs
Net Turnover	10,644	11,704
Other Income	45	187
PBIDT	804	989
Interest	722	648
Depreciation	475	481
Profit/(Loss) before Taxes	(393)	(140)
Current tax	-	--
Fringe Benefit Tax	16	25
Profit/(Loss) after Current Tax	(409)	(165)
Deferred Tax	435	(57)
Minimum Alternate Tax Credit entitlement	8	--
Profit/(Loss) after tax	34	(222)

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	2008 Rs.lacs	2007 Rs.lacs
Net Fixed Assets (sans Revaluation)	5,647	6,072
Net Current Assets	2,137	4,742
Capital Employed	7,784	10,814
PBIT	34	(222)
ROCE	0.43	NA

Internal Control

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and those transactions are authorized, recorded and reported correctly. The Internal Control is supplemented by an extensive program of internal audits, review by management and documented policies, guidelines and procedures. The Internal Control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets. The Board of Directors provides governance, guidance, and oversight. Through the Audit Committee, it discusses the internal control structure with management based on input from the internal and independent auditors and provides oversight as necessary.

The internal audit function adequately provides

- objective assurance to the Board as to the effectiveness of the company's risk management and internal control framework;
- assistance to the Board and the management to issues connected with the design, implementation, and operation of systems of internal control; and,
- assistance to the Board through periodic reporting to support their review of effectiveness of internal control.