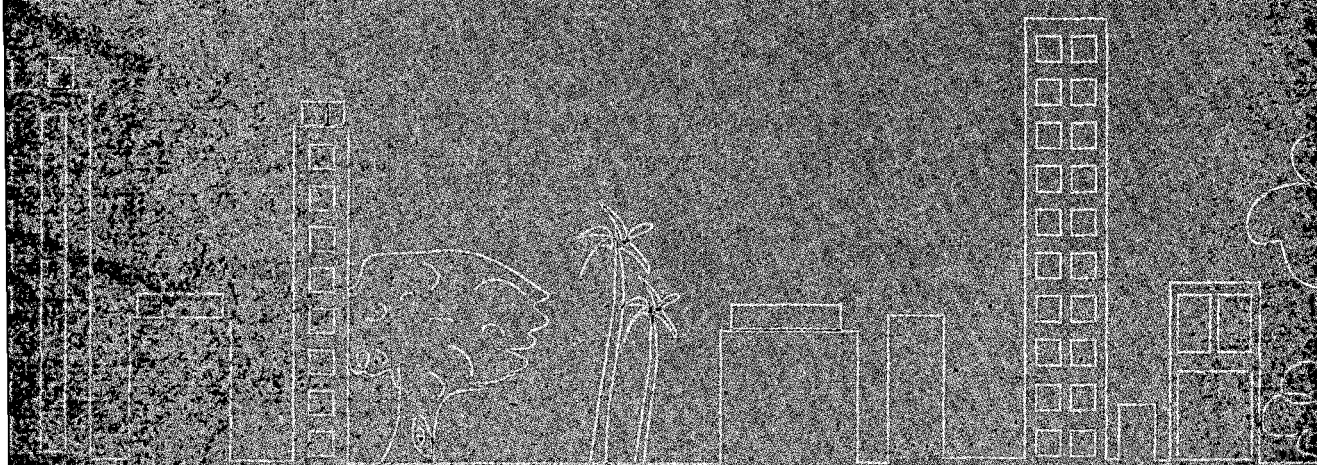




PRIME TEXTILES LIMITED

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## **SHRI MADANLAL PATODIA**

Chairman Emeritus

20.09.1915 - 12.12.2008

Founder of Prime Group of Companies under whose able and visionary leadership the Group has blossomed to a prominent position and carved out a niche for itself in the Indian and international markets for quality products.

**PRIME TEXTILES LIMITED****Annual Report 2008-09**

<b>BOARD OF DIRECTORS</b>	Mr. PURUSHOTTAM PATODIA Chairman & Managing Director
	Mr. MADANLAL PATODIA (upto 31.07.2008)
	Mr. N.K. BAFNA
	Mr. BANWARILAL SINGHAL
	Mr. VIJAY KUMAR BHANDARI (From 30-06-2008)
	Mr. VIRAJ C. GANDHI (From 28-02-2009)
	Mrs. MINNU THOMAS (upto 31-08-2008))
	Mr. MANOJJKUMAR PATODIA Vice Chairman & Managing Director
	Mr. ANUJJ K. PATODIA Managing Director
	Mr. B.K. SRINIVASA RAGAVAN Director (Finance & Admin)
<b>COMPANY SECRETARY</b>	Mr. S.RENGASAMY
<b>AUDITORS</b>	MESSRS.M.S.JAGANNATHAN & VISVANATHAN Chartered Accountants, Coimbatore
<b>LEGAL ADVISORS</b>	MESSRS. RAMANI & SHANKAR Advocates, Coimbatore
<b>BANKERS</b>	CENTRAL BANK OF INDIA BANK OF INDIA CANARA BANK
<b>REGISTERED OFFICE</b>	110, Avinashi Road Gandhinagar Post Tirupur-641 603 India

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**PRIME TEXTILES LIMITED****DIRECTORS' REPORT**

To the Members

Your Directors are presenting their Seventy Second Annual Report and the Audited Accounts for the year ended 31st March 2009.

**DEMISE OF SHRI MADANLAL PATODIA, CHAIRMAN EMERITUS**

With deep sense of mourning, your Directors record the sad demise of Shri Madanlal Patodia, Chairman Emeritus of the Company, on 12th December 2008. Shri Madanlal Patodia was a towering personality in the Indian textile industry and as Chairman of the Company since the year 1988, he provided invaluable services and expert guidance to the Company with which it has emerged strong with changed focus. Your Directors pay their homage to the departed soul and pray the Almighty to bequeath eternal peace to the departed soul. Shri Madanlal Patodia will continue to be a divine source of inspiration to the Board for all time to come.

**FINANCIAL RESULTS AT A GLANCE**

	Year ended March 31, 2009 Rs.lacs	Year ended March 31, 2008 Rs.lacs
Turnover and other Income	7,689	10,689
<b>EBIDTA</b>	<b>2,176</b>	<b>918</b>
Interest	553	722
Depreciation	202	475
Amortisation	256	114
<b>Profit / (Loss) before taxes</b>	<b>1,165</b>	<b>(393)</b>
Exceptional items	(2,096)	-
Current Taxation	-	-
Deferred Taxation Benefit/(Expenses)	178	435
Fringe benefit tax	(14)	(16)
Minimum Alternate Tax Credit entitlement	0	8
<b>Profit / (Loss) after tax</b>	<b>(767)</b>	<b>34</b>
Surplus from previous year brought forward	86	18
Transfer from General Reserve	646	75
<b>Amount available for appropriation</b>	<b>(35)</b>	<b>127</b>

**Appropriations:**

Proposed Dividends-		
On Equity Capital	0	27
On Preference Capital	0	8
Tax on Distributed Profits	0	6
Surplus / (Deficit) carried over to Balance Sheet	(35)	86
<b>Total Appropriations</b>	<b>(35)</b>	<b>127</b>

**DIVIDEND**

Your Directors do not recommend a Dividend for the year ended 31st March 2009 due to heavy loss during the year under review.

**REVIEW OF OPERATIONS**

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

**1. Realty Segment**

Tirupur has undergone major transformation in the last year. Apart from remaining a driving force for exports business, it has now become a district headquarters for sustainable economic growth. With a strong government in the centre, resilient economic factors and favorable policies from the government especially on the housing segment are expected to enable growth of real estate sector in India.

At present, the realty business of your company has been to develop its high-value lands it owns. As the shareholders are aware, "Prime Enclave Vistas" residential multi-storied apartments constructed in partnership has become now a prestigious address to own in Tirupur. The construction of a multi-storied Commercial Complex adjacent to the Prime Enclave Vistas is expected to be taken up shortly.

Under a joint collaboration with FDI investors, the construction of independent luxury villas, offices and shopping spaces have been planned. The first phase in the project will be a virtual landscape for the luxury villas (captioned THEONYX) designed to match international standards engulfed in tropical greenery, has caught the imagination of the buyers and has evinced good response.

## 2. Textile Segment

The economic recession in developed markets has had a very severe impact on the Indian textile segment. The downturn impacted consumer spending, thereby resulting in scaling down of both the operations and new orders by many international buyers and retailers. The Indian cotton yarn industry has in the last two years been under tremendous pressure also on account of intense competition, significant debt-funded capacities, and burgeoning operational costs. The industry looks forward to the world economy returning to normal, which in turn depend on intertwined factors such as the fluctuations of consumer and business confidence and the volatility of global capital markets. The revival of the spinning industry in the short-to-medium term will depend largely on demand recovery in international markets and improvement in macro-economic indicators for the domestic market.

Your company has taken proactive steps to achieve favorable economies of scale. It has emerged today with a strong capital structure after having discharged its term debts and restructuring its working capital base. It has reinvigorated the Post-Spinning Unit at Sathyamangalam and the Garments factory at Tirupur into having a greater focus on value-added products.

### FIRE AT GARMENT STORAGE GODOWN

On 8th May 2009 a fire broke-out in a storage godown gutting the finished garments and fabrics stocked therein valued at Rs.523 lacs. The goods are adequately insured. Claims made are under process by the insurers. The incidence did not affect the operations of the Garment factory and the Unit has been functioning uninterrupted.

### CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements for the year ended March 31, 2009 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, are not forming part of the Annual Report. Your company sought and obtained approval from the Ministry of Corporate Affairs, Government of India, New Delhi for the financial year 2008-09 in respect of the applicability of provisions contained in sub-section (1) of Section 212 of the Companies Act, 1956 in relation to these four wholly-owned subsidiary companies that carry no commercial activities.

### 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.114.10 lacs (Rs.5.75 lacs) by 11 depositors and all of them have since been renewed.

### LISTING PARTICULARS

The Equity Shares of the Company are listed on the Bombay Stock Exchange Ltd., Mumbai. The company has paid the listing fees to Bombay Stock Exchange Ltd. upto 2009-10. The company's application for delisting its equity shares from Coimbatore Stock Exchange Ltd. is pending approval from the Coimbatore Stock Exchange Ltd.

### 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.

**PRIME TEXTILES LIMITED****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. Banwarilal Singhal retires by rotation as Director at the ensuing Annual General Meeting and is eligible for re-appointment.

Under Section 262 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company, Mr. Viraj C. Gandhi was appointed with effect from February 28, 2009 as a Director in the casual vacancy caused by withdrawal of Mrs. Minnu Thomas from her nomination. He retires by rotation as Director at the ensuing Annual General Meeting and is 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 company has requested the Cost Audit Branch, Ministry of Corporate Affairs, Government of India, New Delhi to exempt the company from applicability of the Cost Audit Orders from the year 2008-09 onwards and for exemption from applicability of the provisions of the Companies Act in respect of the appointment of Cost Auditor in lieu of permanent closure of the Spinning unit. The approval is awaited as on date of this Report.

**AUDITORS**

The Statutory Auditors of the Company, Messrs M.S. Jagannathan & Visvanathan, Chartered Accountants, Coimbatore, 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 their deep sense of gratitude to the term lending institutions and the working capital bankers for the excellent support and cooperation rendered by them to the company. Your Directors are thankful to the esteemed stakeholders and business associates for their continued support and the confidence reposed in the Company and its Management.

For and on behalf of the Board of Directors

Place: Mumbai  
Date : 30.06.2009

**Purushottam Patodia**  
Chairman and Managing Director

**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 appointment	Last employment held	Amount of Remuneration
Mr. Purushottam Patodia	69	Chairman & Managing Director	Overall managerial supervision	B.Com (45 years)	20.10.1989	GTN Textiles Ltd.	Rs.43.57 lacs
Mr. Manojkumar Patodia	45	Vice Chairman & Managing Director	Overall managerial supervision	B.Com (20 years)	01.01.1995	Yarn Syndicate Ltd.	Rs. 30.60 lacs
Mr. Anuj K. Patodia	36	Managing Director	Overall managerial supervision	B.Com (15 years)	21.06.2002	Prime Processors Limited	Rs.29.24 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, Educational Allowance, Medical Expenses and other perquisites evaluated as per Income tax Rules wherever necessary
3. Mr. Manojkumar Patodia is related to Mr. Purushottam Patodia, Chairman and Managing Director, Mr. Anuj K. Patodia, Managing Director and Mrs. Indira Devi Patodia, Sales Executive of the Company.

For and on behalf of the Board

Place: Mumbai  
Date : 30.06.2009

**Purushottam Patodia**  
Chairman and Managing Director

**ANNEXURE B****Management's Discussion and Analysis****Overview**

**Prime Textiles Limited** is a Government Recognized Star Export House. 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 comprise of the Knitted Garments unit at Tirupur and the Post-spinning Unit at Sathyamangalam.

**BUSINESS ANALYSIS****Business Segment : Realty Division**

The Realty Division of the company has been developing presently the prime lands owned by the company. 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 is creating high quality properties keeping pace with a growing market with an outlook for affordability.

1. A multi-storied residential complex comprising of 432 apartments is taken up and construction for 288 apartments is complete and offered for occupation. The construction of a commercial mall adjacent to the residential complex is in progress. The above initiatives are in a partnership firm in which the company holds a stake of 50%.
2. The company has entered into a development and collaboration agreement for development of further lands with a FDI group, with the company holding a stake of 75%. The construction of luxury villas as part of the development is to commence in the year 2009-10.



**PRIME TEXTILES LIMITED****Business Segment : Textile Division**

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 acclaimed with WRAP International Standards. With the location of various buying houses in Tirupur, better supply chain management is brought in.

The Post-spinning unit at Sathyamangalam has been catering to exports markets through its value-addition processes for which the unit outsource yarns. The scale of business stands enlarged to cater to demands from the customer base built up by the company over past decades.

**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 positioned its Realty Division for taking up other affordable housing projects in catering to a strong demand foreseen for dwelling units.

**Financial Review And Analysis****Highlights**Year ended 31<sup>st</sup> March

Particulars	2009 Rs.lacs	2008 Rs.lacs
Net Turnover	7,644	10,644
Other Income	45	45
PBIDT	1,921	804
Interest	553	722
Depreciation	203	475
Profit/(Loss) before Taxes	1,165	(393)
Exceptional items	(2,096)	-
Current tax	-	-
Fringe Benefit Tax	(14)	(16)
Profit/(Loss) after Current Tax	(945)	(409)
Deferred Tax	178	435
Minimum Alternate Tax Credit entitlement	0	8
Profit/(Loss) after tax	(767)	34

**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**Year ended 31<sup>st</sup> March

Particulars	2009 Rs.lacs	2008 Rs.lacs
Net Fixed Assets (sans Revaluation)	1,679	5,647
Net Current Assets	2,127	825
Capital Employed	3,806	6,472
PBIT	(378)	329
ROCE	-	5.08%

**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 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.



## ANNEXURE C

INFORMATION PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN REPORT OF BOARD OF DIRECTORS) RULES, 1988, FORMING PART OF THE REPORT OF THE DIRECTORS

**1. CONSERVATION OF ENERGY****(A) MEASURES TAKEN**

-Nil-

**(B) IMPACT OF THE ABOVE MEASURES**

- Does not arise -

**(C) ENERGY CONSUMPTION**

Energy consumption details as per prescribed Form-A together with comparative figures for the previous year, is given at the end of this Annexure.

**2. TECHNOLOGY ABSORPTION****(A) PROCESSES FOR VALUE-ADDITION**

Post-spinning unit at Sathyamangalam has been equipped with modern testing equipments for offering quality assurance to the customers.

**(B) BENEFITS**

Enlarging customer base

**(C) IMPORTED TECHNOLOGY/IMPORTS IN LAST FIVE YEARS: None****3. FOREIGN EXCHANGE EARNINGS AND OUTGO****1. Activity relating to Exports**

Exports of value-added cotton yarns and cotton knitted garments continue to be the thrust areas for the Company.

**2. Initiatives taken to increase exports**

a. Absorption of latest technological advancements in the field of textiles, enabling to offer its products to match qualitative requirements of the end-users.

b. Efforts are taken for penetration into new markets.

**3. Export plans**

Garments Manufacturing Unit is recognized for bulk production for select US buyers.

**4. Total Foreign Exchange earning and outgo**

	Year ended on March 31st	
	2009 Rs.lacs	2008 Rs.lacs
Total Foreign Exchange earnings	3,466	5,683
Total Foreign Exchange outgo	124	444

**FORM A**

For the years ended on 31<sup>st</sup> March

**A Power and Fuel consumption****Electricity****a Purchased**

KW hr

2009

2008

1,68,540

1,19,85,623

Total amount

Rs.lacs

10.21

558.24

Rate per Unit

Rs.P.

6.06

4.66

**b Generation for captive usage**

KW hr

18,451

6,15,683

Total amount

Rs.lacs

3.10

95.65

Rate per Unit

Rs.P.

16.78

15.54

Units generated per litre

KW hr

1.81

4.10

**B. Consumption per unit of Production****a Electricity**

KW hr

Nil

1,26,01,306

**b Consumption for production per Kg.**

KW hr

Nil

20.20

For and on behalf of the Board of Directors

Place: Mumbai  
Date : 30.06.2009

**Purushottam Patodia**  
Chairman and Managing Director

**PRIME TEXTILES LIMITED****CORPORATE GOVERNANCE REPORT  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2009****(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)**

Your Company reports total compliance of the mandatory provisions of the Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchanges. Furnished below is a Report on the implementation thereof.

**A. Mandatory Requirements****I. Company's Philosophy on Code of Corporate Governance**

PRIME TEXTILES LIMITED has recognised corporate governance policies as key factors in achieving its long-term goals. The Company believes that adherence to sound corporate governance policies and practices is important in ensuring that the company is governed and managed with the highest standards of responsibility, ethics and integrity and in the best interests of its stakeholders. The Board has adopted Principles of Corporate Governance, which provide an effective corporate governance framework for the Company, intending to reflect a set of core values that provide the foundation for its governance and management systems and its interactions with others.

The above philosophy along with the enshrined Code of Conduct for prevention of Insider Trading ensures the sustenance of high ethical and moral standards which govern the conduct of the Company and its employees.

Your Company has complied with the requirements of the Corporate Governance Code, the disclosure requirements of which are given below:

**II Board Of Directors****a. Composition of the Board**

The Board comprises four non-executive Independent Directors and four executive Directors and is responsible to shareholders for the proper management of the Company. It meets regularly, reviewing trading performance, setting and monitoring strategy and examining major capital expenditure and acquisition opportunities. The Company is fully compliant with the revised Corporate Governance norms in terms of the composition of the Board. The Board at PRIME represents optimum mix of professionalism, knowledge and expertise.

**b. Board Meetings**

The Board meets at least once in every quarter to review the quarterly results and where expediency demands, additional meetings are held. The Board is apprised and informed of all the important information relating to the business of the company including those listed in Annexure-1A of Clause 49 of the Listing Agreement.

**c. Number of Board meetings held during the year**

Six Board Meetings were held during the year 2008-09 and the gap between two consecutive meetings did not exceed four months. The dates on which the Board Meetings held were 30th June 2008, 31st July 2008, 23rd August 2008, 23rd October 2008, 30th January 2009 and 28th February 2009

**d. Directors attendance record at the Board Meetings and the last AGM**

Name of Director	Category	No. of Board Meetings attended	Attended at the last AGM
Mr.Madanlal Patodia Chairman (upto 31.07.2008) (Since deceased)	Promoter Non Independent Non-Executive	Nil	No
Mr.Purushottam Patodia Chairman and Managing Director	Promoter Non Independent Executive	6	Yes
Mr.Manojkumar Patodia Managing Director (redesignated as Vice Chairman & Managing Director w.e.f 30.06.2009)	Promoter Non Independent Executive	5	No