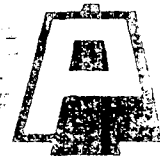


PSM

Spinning Limited



CONFIDENTIAL

16th ANNUAL REPORT 1996 - 97

MD	✓		BKC	✓
CS	NA		DPY	✓
RO	✓		DIV	✓
TRA	NA		AC	✓
ACM	✓		SHI	✓
YR	✓			✓





PSM Spinning Limited

Board of Directors

U.V.Warlu, Chairman

Sumant Tawde (IDBI Nominee)

Raja Veeraiah. K

K.V.Rao (Alternate Director to Dr.Raja Veeraiah K.)

Kamlesh Suresh Gandhi

G.Aravinda Ghosh, Executive Director

A.K.Tyagi, Director (Commercial)

C.G.Rao, Deputy Managing Director

C.K.Rao, Managing Director

Statutory Auditors

M/s.P.Srinivasan & Co.,

Chartered Accountants

Hyderabad - 500013

Internal Auditors

M/s.Vijaya Bhaskar & Associates

Chartered Accountants

Hyderabad - 500016

Bankers

State Bank of India

State Bank of Hyderabad

Union Bank of India

ANZ Grindlays Bank

IDBI Bank Limited

Bank of Bahrain & Kuwait B.S.C

Regd. Office

208 & 408, Nilgiri

Aditya Enclave, Ameerpet

Hyderabad - 500038

Mktg. Division

G-9, Nahar & Seth Indl. Estate

Plot No.29, B/D, Chakala Road

Andheri (East)

Mumbai - 400093

WORKS

Unit-I

Sadashivpet - 502291

Medak District, A.P

Unit-II

Doddavarappadu

Maddipadu - 523211

Prakasam District - A.P

Wind Mill

Ramagiri - 515001

Anantapur District - A.P

PSM Spinning Limited



NOTICE

Notice is hereby given that the 16th Annual General Meeting of PSM Spinning Limited will be held on Monday, the 29th day of September, 1997 at 11.00 A.M. at Sri Sagi Ramakrishnam Raju Community Hall, 8-3-222/R/1, 'E' Block, Madhuranagar, Hyderabad -500 038, to transact the following business:

ORDINARY BUSINESS:

01. To consider and adopt the Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended 31st March, 1997 and Directors' and Auditors' Reports thereon.
02. To declare a dividend.
03. To appoint a Director in place of Sri C.G.Rao, who retires by rotation and being eligible offers himself for reappointment.
04. To appoint a Director in place of Sri U.V.Warlu, who retires by rotation and being eligible offers himself for reappointment.
05. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s P Srinivasan & Co., Chartered Accountants, the retiring Auditors of the Company are eligible for reappointment.

SPECIAL BUSINESS

06. To Consider and if thought fit to pass, with or without modification the following resolution as an ordinary resolution:

RESOLVED THAT The Board of Directors be and are hereby authorised to take all necessary steps and make a letter / application to the non regional Stock Exchanges namely the Madras Stock Exchange Ltd and

the Stock Exchange, Ahmedabad for delisting the Equity Shares of the Company.

By the Order of the Board
for **PSM SPINNING LIMITED**

Sd/-

C K RAO

Managing Director

Place : Hyderabad

Date : 25.08.1997

NOTES:

01. A member entitled to attend and vote at the meeting is entitled to appoint a proxy instead of himself/herself and such proxy need not be a member of the Company. But a proxy so appointed shall not have right to speak at the Meeting. Proxy forms to be valid shall be lodged with the company not less than 48 hours before the meeting.
02. The Register of Members and Share Transfer Books of the Company will remain closed from 20.09.1997 to 29.09.1997 (Both days inclusive)
03. If the dividend on equity shares is approved at the meeting, payment of such dividend will be made within 42 days from the date of approval, to all the shareholders whose names appear in the Register of members as on book closure date.
04. The members are requested to intimate any change in their address quoting their registered folio number.
05. The members are requested to bring admission slip duly filled in alongwith their copies of Annual Report to the Meeting and are also requested to send their queries, if any, on the accounts well in advance, so as to enable the company to place relevant records and information at the time of Annual General Meeting.



PSM Spinning Limited

06. Unclaimed dividend for the year 1992-93 amounting to Rs.38733.15 has been transferred to the Central Government Account.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 06

The Company Shares are not traded actively for long period in the Madras Stock Exchange Ltd

and the Stock Exchange, Ahmedabad. Hence, your Board would like to apply for delisting.

None of the Directors are interested in the above resolution.

By the Order of the Board
for **PSM SPINNING LIMITED**

Sd/-

C K RAO

Managing Director

Place : Hyderabad

Date : 25.08.1997

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PSM Spinning Limited**DIRECTORS' REPORT :**

Dear Members,

Your Directors have pleasure in presenting the Sixteenth Annual Report together with the Audited Statement of Accounts and the Auditors Report thereon for the year ended 31st March, 1997.

FINANCIAL RESULTS

(Rs. in lakhs)

	Current year ended 31.03.97	Previous year ended 31.03.96
1. Sales and other Income	12190.28	12077.62
2. Profit before Interest and depreciation	1577.56	1456.00
3. Interest	797.18	636.81
4. Depreciation	323.58	277.14
5. Profit after Interest and Depreciation	456.80	542.05
6. Provision for Taxation	58.93	—
7. Profit brought forward from previous year	1635.37	1269.27
8. Profit and Loss A/c. balance	2033.24	1811.33

APPROPRIATIONS

1. Transferred to General Reserve	50.00	50.00
2. Dividend	94.47	125.96
3. Surplus carried forward to Balance Sheet	1888.77	1635.37

PERFORMANCE OF THE COMPANY

The Textile Industry has been passing through a difficult period during the past two years. Recessionary conditions were prevailing and Raw Material Costs have fluctuated resulting in fluctuations in selling prices of yarn. Inspite of such a situation the operations of the Company during the year were satisfactory. 8790 MT have been sold during the year as against 7868 MT during previous year. There is no increase in the turn-over of the Company in value terms due to fall in yarn prices which is in turn due to reduction in prices of Polyester Staple Fibre. The Net Profit of the Company at Rs.397.87 lakhs is lower compared to previous years' Profit of Rs.542.05 lakhs. The net profit is after making provision for tax under MAT amounting to Rs.58.93 lakhs (previous year

NIL) which is available for set off against normal income tax during the next five years.

DIVIDEND

Your Directors have pleasure in recommending a Dividend on the Equity Capital at the rate of 15% for the year ended 31st March, 1997. There will be no tax deduction at source on dividend payments but your Company will absorb 10% of Dividend amount towards Dividend Tax.

MODERNISATION

The Company have reinforced the existing Plant and Machinery with the import of most modern Auto Cone Winding Machines to improve the quality of the yarn to enable the Company to export quality yarn and strengthen the Company's position in International Yarn Market.



PSM Spinning Limited

EXPORTS

The Company's Exports have increased by 53% compared to previous year. In recognition of Export performance the Company was accorded the status of the Export House by the Director General of Foreign Trade, Ministry of Commerce, Government of India, New Delhi. We envisage a great future for the Company in the years ahead in Export Markets.

INVESTMENTS

As you are aware the Company has already invested Rs.1 crore in Ibiza Industries Limited, a Joint Venture with Mafatlal Group to manufacture Premium fabrics. Your Company has given letters of comfort to Industrial Finance Corporation of India and Global Trust Bank Limited in terms of sanctions to Ibiza Industries Limited. The commercial production of the Ibiza Industries Limited has started and the product is well accepted in the market. The Company is expected to stabilise its operations during next fiscal.

The original investment as envisaged is increased to Rs.140 lakhs as against Rs.100 lakhs due to cost and time overrun of the Project.

WIND MILL OPERATION

The Wind Power Project at Ramagiri, Anantapur District is operating satisfactorily, generating 25.97 lakh units during the year.

ISSUE OF WARRANTS

Twenty lakh share warrants have been issued to the Promoters and their Associates during the current year. The Warrants are convertible into Equity Shares of Rs.10.00 each at a premium of Rs.6.55. 10% of the amount have been received by the Company and the balance Amount will be paid on Conversion. The conversion will take

place within 18 months from the date of the allotment, subject to the receipt of approval from Financial Institutions.

DIRECTORS

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, your Directors Sri C. G. Rao and Sri U. V. Warlu retire by rotation. They, being eligible, offer themselves for reappointment.

AUDITORS

M/s.P.Srinivasan & Company, Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment.

PUBLIC DEPOSITS

The fixed deposits outstanding as on 31.03.1997 amounted to Rs.1,74,48,000/- and there were no overdue deposits as on that date.

PERSONNEL

The industrial relations have been cordial throughout the year under review. Your Directors take this opportunity to record their appreciation of the continuous support and contribution from all employees of the Company.

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are annexed hereto and forms part of this report.

CONSERVATION OF ENERGY

Conservation of energy, Technology Absorption & Foreign exchange earnings and information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors)

PSM Spinning Limited



Rules, 1988 are annexed hereto and forms part of this report.

ACKNOWLEDGEMENTS

Your Directors have pleasure in recording their appreciation for the assistance extended to the Company by Financial Institutions viz. IDBI, IFCI, ICICI, IIBI (formerly IRBI), EXIM Bank, HDFC, SBI Home Finance Limited and Company's bankers namely State Bank of India, State Bank of Hyderabad, ANZ Grindlays Bank, IDBI Bank

Limited, Union Bank of India and Bank of Bahrain & Kuwait B.S.C and various agencies of State and Central Government for their co-operation.

Your Directors would like to express their gratitude to all the shareholders for their wholehearted support to the Company.

for and on behalf of the
Board of Directors

Sd/-

U. V. WARLU
Chairman

Place : Hyderabad
Date : 25.08.1997

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**ANNEXURE TO DIRECTORS' REPORT**

- I. Information as per section 217 (2A) read with Companies (particulars of Employees) Rules, 1975 as amended by the Companies Amendment Act, 1990 & forming part of the Directors Report for the year ended 31st March, 1997.

Sl. No.	Name	Designation and Nature of Employment	Remuneration	Qualification	Age (Year)	Experience (Years)	Date of Commencement of Employment	Previous Employment & Designation
1.	Sri C. K. Rao	Managing Director (Contractual)	19,52,607/-	B.Sc(Tech) Textiles	54	28	01.09.81	Production Manager, Sarvaraya Textiles Ltd
2	Sri C. G. Rao	Dy.Managing Director (Contractual)	3,24,359/-	B.Sc., M.I.P.E.	55	32	27.06.88	Technical Consultant

Remuneration includes salary, commission, contribution to Provident Fund and perquisites valued on actual basis.

- II. Information pursuant to Section 217 (1) (e) of Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

1) **CONSERVATION OF ENERGY**

The benefits of energy saving measures implemented so far were further consolidated. The programme of installation of high efficiency motors, addition of capacitors for power factor correction, installation of soft starters and installation of energy saving spindles continued.

The required information regarding Energy Consumption is given in the prescribed Form A.

2) **TECHNOLOGY ABSORPTION**

The required information is given in the prescribed Form B.

3) **FOREIGN EXCHANGE EARNINGS AND OUT GO**

- a) Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services, and export plans.

The Company has started exporting fabric by getting its yarn converted into fabric on job basis.

During the year the Company has exported yarn and fabric to the tune of Rs.25,49,78,825/- as against previous year's exports of Rs.17,03,76,042/- (FOB value). The Company is in constant touch with various export houses and foreign sources to tap the export market in a big way.

- b) Total Foreign Exchange used and earned.

i) Foreign Exchange used :
Rs. 6,24,01,424/-

ii) Foreign Exchange earned :
Rs.25,49,78,825/-