

123

1998 - 99

Report

A

**C O N T E N T S**

Notice .....	2
Directors' Report .....	6
Auditors' Report .....	10
Balance Sheet .....	13
Profit & Loss Account .....	14
Schedules to Accounts .....	15

Report  Junction.com



## PSM SPINNING LIMITED

### Board of Directors

Sri Sumant Tawde (IDBI Nominee)  
 Dr. Raja Veeralah K.  
 Sri K.V. Rao (Alternate Director to Dr. Raja Veeralah K.)  
 Sri Kamlesh Gandhi  
 Sri A.K. Tyagi, Director (Commercial)  
 Sri G. Aravinda Ghosh, Executive Director  
 Sri C.G. Rao, Dy. Managing Director  
 Sri C.K. Rao, Managing Director

### Statutory Auditors

M/s P. Srinivasan & Co.  
 Chartered Accountants  
 B-46, D.D. Colony.  
 Hyderabad -500 013.

### 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 - 500 038.

### Mktg. Division

G-9, Nahar & Seth Indl. Estate  
 Plot No.29, B/D, Chakala Road  
 Andheri (East)  
 Mumbai - 400 093.

### WORKS

Unit-I  
 Sadashivpet  
 Medak Dist.  
 A.P. - 502 291.

Unit-II  
 Doddavarappadu  
 Maddipadu (Mandal)  
 Prakasam Dist., A.P. - 523 211.

Wind Mill  
 Ramagiri  
 Anantapur Dist.  
 A.P. - 515 001.

**PSM SPINNING LIMITED****NOTICE**

Notice is hereby given that the 18th Annual General Meeting of PSM Spinning Limited will be held on Wednesday the 29th September, 1999 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, 1999 and the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
02. To appoint a Director in place of Dr. K. Rajaveeraiah, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint a Director in place of Sri C.G. Rao, who retires by rotation and being eligible, offers himself for re-appointment.
04. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s P. Srinivasan & Company, Chartered Accountants, the retiring Auditors of the Company are eligible for re-appointment.

**SPECIAL BUSINESS:**

05. To consider and if thought fit, to pass the following resolution with or without modification(s) as an Ordinary Resolution:  
RESOLVED THAT pursuant to Sections 198, 269, 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, and subject to the approval of Financial Institutions, consent of the Company be and is hereby accorded to the re-appointment of Sri A.K. Tyagi, as Director (Commercial) for a period of 3 years w.e.f 24-08-1999 on the following terms and conditions:

A. **Salary** : Rs.16000/- (Rupees Sixteen Thousand only) per month.

B. **Perquisites** : Perquisites in Part-A will be restricted to amount equivalent to Annual Salary to be reckoned on the basis of actual expenditure or liability incurred by the Company as provided under explanation to Section 198 of the Companies Act, 1956. Expenditure incurred by the Company under Part-B will not be considered for computation of ceiling on perquisites to the extent they are not taxable under the Income Tax Act. Expenditure incurred by the Company under Part-C will not be considered as perquisites. Subject to the above the Director (Commercial) will be allowed the following.

**PART - A**

i) **Housing including gas, electricity, water and furnishings** (Non-interchangeable):

a) Expenditure incurred by the Company on hiring accommodation is limited to 35% of his salary over and above 10 % payable by the Director (Commercial).

b) Expenditure incurred by the Company on gas, electricity, water and furnishings will be evaluated as per the Income Tax Rules, 1962 and will be subjected to a ceiling of 10% of the Salary.

c) In case no accommodation is provided, House Rent Allowance at 35% of the salary will be payable. In case the accommodation provided is a Company owned or leased house, he shall pay by way of rent an amount equivalent to 10% of his salary.

ii) **Medical benefits for self and family:** (Non-interchangeable): Reimbursement



## PSM SPINNING LIMITED

of expenses actually incurred, the cost of which to the Company shall not exceed one month salary or 3 months' salary in a block of 3 years.

- iii) **Leave Travel Concession** : Leave Travel concession for self and family once in a year in accordance with the rules of the Company.
- iv) **Personal Accident Insurance** : Annual Premium not to exceed Rs.4000/- .
- v) **Fees of Clubs** : Subject to a maximum of 2 Clubs. No life membership or admission fee will be paid by the Company.

### PART - B

- vi) **Company's Contribution towards Provident Fund** : As per the rules of the Company, but not to exceed 12% of Salary or such higher rate as are not taxable under the Income Tax Act, 1961.
- vii) **Company's Contribution towards Pension/Superannuation Fund** : As per the rules of the Company, but it shall not, together with the Company's contribution to Provident Fund, exceed 30% of the salary as laid down by the Income Tax Act, 1961 or such higher rate as are not taxable under Income Tax Act, 1961.
- viii) **Gratuity** : (Non-interchangeable) : Not to exceed half month's salary for each completed year of Service.

### PART - C

- ix) **Car** : Use of Car for Company's business. The Director (Commercial) shall pay for use of the Car for personal purpose.
- x) **Telephone** : Telephone facility will be provided at residence. All long distance

personal calls shall be logged and paid by the Director (Commercial).

- C. **Privilege Leave** : On full pay and allowances as per the rules of the Company but not exceeding One month leave for every 11 months of service subject further to the condition that Leave accumulated but not availed of will not be allowed to encash.
- D. **Others** : Reimbursement of actual entertainment expenses, actual travelling and hotel expenses for the Company's business and/or allowances as per the Company's rules.

06. To consider and if thought fit to pass the following Resolution with or without modification(s) as a Special Resolution.

"RESOLVED THAT in accordance with the provisions of section 81 and all other applicable provisions of the Companies Act, 1956, and enabling clauses in the Memorandum and Articles of Association of the Company and the listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to the approval of the Financial Institutions (FIs), Securities & Exchange Board of India (SEBI), Reserve Bank of India (RBI) and all other concerned authorities, if any, and to the extent necessary and such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them in granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board") and/or duly authorised Committee thereof for the time being exercising the powers conferred by the Board, consent of the Company be and is hereby accorded to the Board to issue / offer Equity Shares (hereinafter for brevity's sake referred to as 'Securities') not exceeding Rs. 12 Crores to the members,

**PSM SPINNING LIMITED**

debentureholders, employees, Non-Resident Indians (NRIs), Overseas Bodies Corporate (OBCs), Foreign Institutional Investors (FIIs), Companies, other entities and to such other persons through public issue, rights issue, private placement or preferential allotment or by any one or more or a combination of the above modes/methods or otherwise and at such time or times and in one or more tranches as the Board or Committee thereof may in its absolute discretion think fit, in consultation with the lead managers, underwriters or otherwise, and on such terms and conditions including the number of Equity Shares to be issued, the face value, fixing of record date or Book Closure, Provided further that the increase in the paid-up equity share capital as aforesaid, shall be in addition to the increase in the paid up equity share capital which will take place in respect of securities already issued/ committed to be issued by the Company and approved by the members earlier.

RESOLVED FURTHER THAT such of these securities to be issued as are not subscribed may be disposed of by the Board / Committee thereof in its absolute discretion, in such manner and/or on such terms as it may deem fit including offering or placing them with Banks / Financial Institutions / Investment Institutions / Mutual Funds or otherwise as the Board or Committee thereof may in its absolute discretion deem fit and proper.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board/ Committee be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilisation of the proceeds of issue of the securities towards the Company's projects/other business needs and finalise such documents as it may deem fit".

**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. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is attached hereto.
03. The Register of Members and Share Transfer Books of the Company will remain closed from 22.09.1999 to 29.09.1999 (both days inclusive).
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.
06. Unclaimed dividend for the year 1994-95 amounting to Rs. 1,35,900.00 has been transferred to the Central Government Account.

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

**ITEM NO. 05**

The term of the Contract of appointment of Sri A.K.Tyagi, as Director (Commercial) expires on 23rd August, 1999.

The Board of Directors at its meeting held on 31st July, 1999 has re-appointed Sri A.K.Tyagi,





## PSM SPINNING LIMITED

as Director (Commercial) w.e.f. 24-08-1999 on the terms and conditions mentioned in the notice.

Sri A.K. Tyagi has made significant contribution in achieving the Export Turnover and he is in charge of the Mumbai Office.

Your Board of Directors consider Sri A.K. Tyagi's contribution to the Company and recommends resolution for approval.

No other Director is concerned or interested in the resolution except Sri A.K. Tyagi.

### ITEM NO. 06

The Company would like to upgrade and modernise its Plant & Machinery under Technology Upgradation Fund (TUF) Scheme launched by Govt. of India to modernise Textile Sector. In accordance with the TUF Scheme, the Company would like to modernise its plant for which it needs to raise the margin capital to meet the capital expenditure, working capital requirement and strategic investments as the Board may decide at an appropriate time.

Your Directors seek your consent for issuing securities which may result in increase of equity share capital of the Company subject to rules, regulations and guidelines issued by SEBI and as permitted by law.

Consent of the shareholders is required to authorise, the Board of Directors for issuing securities as stated in the Resolution which will result in issuance of further shares of the Company in accordance with the terms and nature of the securities. The Resolution set out in Item No. 6, is an enabling Resolution conferring authority on the Board to cover all the contingencies and corporate requirements.

The shareholders consent is being sought by way of a special resolution under section 81 and any other applicable provisions of the Companies Act and the listing agreement with the Stock Exchanges for issue of further shares that may be offered to existing and other investors. Your Directors recommend this resolution for your approval.

All Directors of the Company may be deemed to concern or interested to the extent that they may be entitled to the shares which will be offered to them on rights basis or otherwise when applied for and allotted to them.

By the order of the Board  
for PSM SPINNING LIMITED

Place: Hyderabad  
Date : 31/07/1999

Sd/-  
C.K. RAO  
Managing Director

Report  junction.com

**PSM SPINNING LIMITED****DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Eighteenth Annual Report with the Audited Statement of Accounts and the Auditors' Report thereon for the year ended 31st March, 1999.

**FINANCIAL RESULTS**

(Rs. in lakhs)

	Current year ended 31.03.1999	Previous year ended 31.03.1998
1. Sales and other Income	12702.71	13603.18
2. Profit before interest and depreciation	1078.12	1634.08
3. Interest	803.05	944.26
4. Depreciation	395.37	383.48
5. Profit /(Loss) after interest and Depreciation	(120.30)	306.34
6. Provision for Taxation	-	8.24
7. Expenditure relating to prior years	40.96	-
8. Profit brought forward from previous year	2089.44	1888.77
9. Profit and Loss A/c Balance	1928.18	2188.87

**APPROPRIATIONS**

1. Transferred to General Reserve	-	25.00
2. Dividend	-	62.98
3. Dividend Tax	6.30	9.45
4. Surplus carried forward to Balance Sheet	1921.88	2089.44

**PERFORMANCE OF THE COMPANY:**

Your Company has recorded net loss of Rs.120.30 lakhs as against the net profits of Rs.298.10 lakhs in the previous year. The Company turnover has declined from Rs.136 crores in 1997-98 to Rs.127 crores in the 1998-99 due to drop in exports of Rs.2051 lakhs as against Rs.2997 lakhs of previous year.

The Textile Industry as a whole witnessed recessionary trend during the year under review. Your Company has also been affected during the year under review. The main reasons attributable for this decline are mismatch between supply of yarn and demand, increase in power tariff and external reasons like the currency turmoil in the South East Asian Countries.

However, the Government has recently initiated a lot of measures to arrest the decline in the fortunes of the Textile Industry and your Directors

hope that the package of measures will revive the fortunes of the Industry.

The 1.8 MW Power Project at Ramagiri, Anantapur District is operating satisfactorily generating 22,28,399 units during the year resulting in a revenue of Rs.79,00,341 as against 27,22,018 units and Rs. 95,64,799 respectively of the previous year.

**DIVIDEND:**

In the absence of profits during the year under review, your Directors are unable to recommend any dividend on the share capital.

**EXPORTS:**

The Company's Exports were declined to Rs.2051 lakhs from Rs.2997 lakhs due to recession coupled with devaluation of South Asian Currencies. Your Directors hope that the





## PSM SPINNING LIMITED

performance for the fiscal 1999-2000 to improve as international yarn markets are stabilising for better realisation.

### DIRECTORS:

In accordance with the Provisions of the Companies Act, 1956 and Articles of Association, your Directors Sri C.G.Rao and Dr. K. Rajaveeraiah retire by rotation and being eligible offer themselves for re-appointment.

During the year under review, Sri U.V. Warlu, Chairman has resigned and ceased to be a Director. Your Directors place on record their appreciation for his valuable contribution and guidance provided by him during his tenure.

### NON-CONVERTIBLE DEBENTURES (NCDs)

During the year, the Company did a private placement of NCDs aggregating to Rs.500 Lakhs with Industrial Development Bank of India (IDBI) to augment long term working capital of the Company.

### Y2K COMPLIANCE

Your Company has developed in-house Software Systems for its main operating areas. These are based on database management systems that store the year in a four digit format irrespective of how the date is entered or displayed and by default the date is used along with the century information. To this extent, our Company risk exposure due to Y2K is significantly less.

The Company is developing contingency plans to meet foreseeable adverse situations. The Company has sufficient internal resources to address any system disruption due to Y2K issue.

### AUDITORS:

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

### FIXED DEPOSITS:

The Fixed Deposits outstanding as on 31.03.1999 amounted to Rs.2,20,87,500 and there were no overdue deposits as on that date.

### INDUSTRIAL RELATIONS:

The Industrial relations have been cordial throughout the year under review.

### PARTICULARS OF EMPLOYEES:

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

### ACKNOWLEDGMENT:

Your Directors have pleasure in recording their appreciation for the assistance extended to the Company by Financial Institutions viz. IDBI, IFCI, ICICI, IIBI, EXIM Bank, HDFC, SBI Home Finance Ltd and Company's Bankers namely State Bank of India, State Bank of Hyderabad, ANZ Grindlays Bank, IDBI Bank Ltd, Union Bank of India and Bank of Bahrain & Kuwait B.S.C., and various agencies of State and Central Government for their co-operation.

Last but not least, your Directors wish to thank the shareholders for the confidence reposed by them in the Company and for their continued support and cooperation.

Your Directors also express their appreciation for the dedicated and sincere efforts put in by the Company's employees at all levels.

For and on behalf of the Board of Directors

C.K. RAO  
Managing Director

G. ARAVINDA GHOSH  
Executive Director

Place : Hyderabad  
Date : 31/07/1999