



ANNUAL REPORT

1999 - 2000

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PSM Spinning Limited

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PSM SPINNING LIMITED

Board of Directors

Dr. Raja Veeraiah K.
Sri K.V. Rao (Alternate Director to Dr. Raja Veeraiah K.)
Sri Kamlesh Gandhi
Sri A.K. Tyagi, Director (Commercial)
Sri G. Aravinda Ghosh, Executive 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 19th Annual General Meeting of PSM Spinning Limited will be held on Thursday the 31st day of August, 2000 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, 2000 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 Sri G. Aravinda Ghosh, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint a Director in place of Sri Kamlesh Gandhi, 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 & Co., Chartered Accountants, the retiring Auditors of the Company are eligible for re-appointment.

SPECIAL BUSINESS:

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

RESOLVED THAT pursuant to the provisions of the Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the provisions of the Memorandum and Articles of Association of the Company and subject to the approval of Reserve Bank of India, Securities and Exchange Board of India (SEBI) and any other appropriate authorities, Institutions and subject to such conditions as may be prescribed by any or all of them in granting any such approval which

may be agreed to by the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include in the duly authorised committee thereof, for the time being exercising the powers conferred on the Board by this Resolution), the consent of the company be and is hereby accorded to the Board of Directors of the company to issue and offer equity shares of the Company for cash with or without premium as may be decided by the Board of Directors in accordance with SEBI guidelines in Rupees or in such other foreign currency as may be considered appropriate upto an aggregate amount of Rs. 500 lakhs or equivalent thereof in the relevant foreign currency in one or more tranches by way of private placement and/or preferential offer to the promoters and their friends, relatives and business associates and/or permanent and regular employees and workers of the company (including Indian Working Directors) and/or Financial Institutions and/or investment institutions and/or Foreign Financial Institutions whether registered with SEBI or not and/or Non resident Indians and Overseas Corporate Bodies and/or Mutual Funds and/or Banks and/or Trusts and/or other entities and/or in such other manner as may be decided by the Board and permitted by the appropriate authorities as may be permissible under any guide lines issued or as may be issued by any authority and in such times and on such terms and conditions as the Board may in its sole discretion think fit (such issue being hereinafter referred to as "the issue").

RESOLVED FURTHER THAT the equity shares as may be issued as aforesaid or allotted shall have a face value of Rs. 10/- each and shall rank pari-passu with the existing equity shares of the company in all respects except that the holders of the aforesaid equity shares shall not be entitled to any dividend declared before the allotment thereof, but shall be entitled to the dividend, if any, which may be declared after the date of allotment and in proportion to the

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amount of capital paid-up thereon and prorata for the period during which the aforesaid shares are paid-up.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution the Board be and is hereby authorised on behalf of the company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose and settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may, in its absolute discretion, deem fit".

06. To consider and if thought fit, to pass the following resolution with or without modification(s) as an Ordinary Resolution:

"RESOLVED THAT, subject to the approval of Financial Institutions, in partial modification of the Resolution No.8 passed at the 17th Annual General Meeting of the Company held on 30th September, 1998 and in accordance with the provisions of sections 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approve the increase in the salary payable to Sri G. Aravinda Ghosh, Executive Director w.e.f. 01.01.2000 for the remaining tenure of his office i.e. 01.01.2000 to 27.09.2001 as follows:

Clause A-Salary: Rs.20,000/- (Rupees Twenty Thousand only).

07. To consider and if thought fit, to pass the following resolution with or without modification(s) as an Ordinary Resolution:

"RESOLVED THAT, subject to the approval of Financial Institutions, in partial modification of the Resolution No.05 passed at the 18th Annual General Meeting of the Company held on 29th September, 1999 and in accordance with the provisions of sections 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approve the increase in the salary payable to

Sri A.K. Tyagi, Director (Commercial) w.e.f. 01.01.2000 for the remaining tenure of his office i.e. 01.01.2000 to 23.08.2002 as follows:

Clause A-Salary: Rs.25,000/- (Rupees Twenty Five Thousand only).

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

Sd/-

C.K. RAO

Managing Director

Place: Hyderabad

Date : 15/07/2000

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 29.08.2000 to 31.08.2000 (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.



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

ITEM NO.5

With a view to finance the on going Modernisation programmes under Technology Upgradation Fund (TUF) Scheme announced by the Government of India as well as to meet the long term working capital requirements, it is required to raise funds by way of issue of equity shares for an aggregate amount not exceeding Rs. 500 lakhs in the form and manner as specified in the resolutions at Item No.5 of the notice.

Pursuant to section 81 (1A) of the Companies Act, 1956 the proposal further issue of the shares is either to be made to the existing share holders on a pro-rata basis or otherwise the approval of the members by way of Special Resolution would be needed. The consent of the Shareholders is therefore, sought to authorise the Board of Directors to issue equity shares to Non Resident Indians, Overseas Corporate Bodies, Mutual Funds, Financial Institutions, Promoters and their Friends, Relatives, other Body Corporates, Foreign Financial Institutions or such other entities, Persons, Companies or Body Corporates as may be permitted by the law whether or not such person is the Member of the Company.

Consequent upon further issue of equity shares on preferential basis, there will not be any change in the composition of Board of Directors, nor any change in the control over the Company, nor any change in the voting rights of the members of the Company.

Terms and Conditions of the Issue of equity shares including the issue price would be decided by the

Board of Directors in accordance with the guide lines issued by the SEBI.

The Directors recommended the resolution for the approval of the shareholders.

None of the Directors is interested in the said resolution.

ITEM NO. 06 & 07

The appointments of Sri G. Aravinda Ghosh, Executive Director and Sri A.K. Tyagi, Director (Commercial) were approved by the members at 17th and 18th Annual General Meetings of the Company held on 30th September, 1998 and 29th September, 1999 respectively. In view of the inflationary trend and the remuneration payable to the managerial personnel occupying similar positions in other Companies, the Board of Directors have deemed it fit to enhance the remuneration payable to Sri G. Aravinda Ghosh, Executive Director and Sri A.K. Tyagi, Director (Commercial) in the manner set out in the resolutions, the other terms and conditions of their remuneration remain same as approved by the members at the aforesaid General Meetings of the Company.

The Board of Directors recommend the resolutions for the members approval.

Except Sri G. Aravinda Ghosh, Executive Director and Sri A.K. Tyagi, Director (Commercial), no other Director is interested in the above resolutions.

by the Order of the Board
for PSM SPINNING LIMITED

Sd/-

C.K. RAO

Managing Director

Place: Hyderabad
Date : 15/07/2000

PSM SPINNING LIMITED**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Nineteenth Annual Report of the Company together with the Audited Statement of Accounts and the Auditors Report thereon for the year ended 31st March, 2000.

FINANCIAL RESULTS

(Rs. in lakhs)

	Current year ended 31.03.2000	Previous year ended 31.03.1999
1. Sales and other Income	12787.45	12702.71
2. Profit before interest and depreciation	1256.23	1078.12
3. Interest	768.90	803.05
4. Depreciation	397.21	395.37
5. Profit/(Loss) after interest and Depreciation	90.12	(120.30)
6. Provision for Taxation	-	-
7. Expenditure relating to prior years	7.51	40.96
8. Profit brought forward from previous year	1921.89	2089.44
9. Profit and Loss A/c Balance	2004.50	1928.18

APPROPRIATIONS

1. Dividend Tax	-	6.30
2. Surplus carried forward to Balance Sheet	2004.50	1921.88

PERFORMANCE OF THE COMPANY:

Your Company has recorded net profit of Rs.90.12 lakhs as against the net loss of Rs.120.30 lakhs in the previous year. The Company turnover has increased from Rs.127 crores in 1998-99 to Rs.128 crores in the 1999-2000

The Textile industry as a whole witnessed recessionary trend for the last four years. 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.

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. Your Company is also contemplating to approach Financial Institutions for necessary financial assistance for modernisation of Plant & machinery under Technology Upgradation Fund (TUF) Scheme announced by the Government of India.

HUMAN RELATIONS

Your Company has maintained very cordial relations with the workers and employees at all levels of the organisation throughout the year under review. The Company has also initiated lot of welfare measures to nurture and retain talent for the overall growth of the Company in the years ahead in the face of competition from within and out side India.

WIND MILL

The 1.8 MW Power Project at Ramagiri, Anantapur District is operating satisfactorily generating 2930873 units during the year resulting in a revenue of Rs.10660100 as against 22,28,399 units and Rs. 79,00,341 respectively of the previous year.

DIVIDEND:

Due to inadequate profits during the year under review, your Directors are unable to recommend any dividend on the share capital.



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EXPORTS:

The Company's Exports were decreased to Rs.1967 lakhs from Rs.1995 lakhs during the year under review. Your Directors hope that the performance for the fiscal 2000-2001 may further improve as international yarn markets are stabilising for better realisation. The Company has also drawn ambitious plan of penetrating into new markets.

DIRECTORS:

In accordance with the Provisions of the Companies Act, 1956 and Articles of Association, your Directors Sri G. Aravinda Ghosh and Sri Kamlesh Gandhi retire by rotation and being eligible offer themselves for re-appointment.

During the year under review, Sri C.G. Rao, Dy. Managing Director expired and ceased to be a Director. Your Directors place on record appreciation for his valuable contribution and guidance provided by him during his tenure and observed a minute silence to rest his soul in peace.

During the year under review, Industrial Development Bank of India (IDBI) withdrawn its nominee Sri Sumant Tawde and ceased to be a Director. Your Directors place on record their appreciation for his valuable contribution for the overall growth of the Company during his tenure.

Y2K COMPLIANCE

Y2K transition was smooth and trouble free and systems and procedures are in place commensurate with the size and nature of operations.

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 31.3.2000 amounted to Rs.202,13,000.00 and there were no overdue deposits as on that date.

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 would like to place on record their sincere appreciation for all the support received from Financial Institutions viz. IDBI, IFCI, ICICI, IBI, 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 and Kuwait and various agencies of State and Central Government for their co-operation.

Your Directors also wish to thank the shareholders for the confidence reposed by them in the Company and for their continued support and cooperation.

Your Directors would also like to place on record their appreciation for the dedicated efforts and services put in by the employees of the Company.

for and on behalf of the Board of Directors

C.K. RAO
Managing Director

G. ARAVINDA GHOSH
Executive Director

Place : Hyderabad
Date : 15/07/2000