

ANNUAL REPORT

2001 - 2002



Priyadarshini Spinning Mills Limited

208 & 408, Nilgiri, Aditya Enclave, Ameerpet
Hyderabad - 500 038, A.P.

C O N T E N T S

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PRIYADARSHINI SPINNING MILLS LIMITED

Board of Directors

Dr. K. Rajaveeraiah
Mr. K.V. Rao (Alternate Director to Dr. K. Rajaveeraiah)
Mr. Kamlesh Gandhi
Mr. K. Rama Mohana Rao
Mr. A.K. Tyagi, Director (Commercial)
Mr. G. Aravinda Ghosh, Executive Director
Mr. C. Harish, Executive Director
Mr. C.K. Rao, Managing Director

Company Secretary

Mr. B. Venkatesh Babu

Audit Committee

Mr. Kamlesh Gandhi
Mr. K. Rama Mohana Rao
Dr. K. Rajaveeraiah

Shareholders Committee

Dr. K. Rajaveeraiah
Mr. G. Aravinda Ghosh
Mr. C.K. Rao

Remuneration Committee

Mr. K. Rama Mohana Rao
Mr. Kamlesh Gandhi
Dr. K. Rajaveeraiah

Statutory Auditors

M/s P. Srinivasan & Co.
Chartered Accountants
2-2-647/77/G-9, SBI Colony,
Bagh Amberpet, Hyderabad-500 013.

Bankers

State Bank of India
Union Bank of India
State Bank of Hyderabad
Bank of India
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.

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.

Power Project

Y. Kothapalli Village, P. Gannavaram Mandal
East Godavari Dist., A.P. - 533 240



PRIYADARSHINI SPINNING MILLS LIMITED

NOTICE

Notice is hereby given that the 21st Annual General Meeting of Priyadarshini Spinning Mills Limited (formerly PSM Spinning Limited) will be held on Friday, the 27th day of September, 2002 at 10.00 A.M. at Sri Sagi Rama Krishnama 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, 2002, 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 K. Rama Mohana Rao, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint a Director in place of Sri G. Aravinda Ghosh, 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 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 24-08-2002 on the following terms and conditions:

- A. Salary : Rs.25,000/- (Rupees Twenty Five Thousand only) per month.
- B. Perquisites : Perquisites in Part-I will be restricted to an 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-II 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-III will not be considered as perquisites. Subject to the above the Director (Commercial) will be allowed the following:

PART - I

- 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 subject 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 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.4,000/-.
- v) Fees of Clubs : Subject to a maximum of 2 Clubs. No life membership or admission fee will be paid by the Company.

PART - II

- 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 - III

- ix) Car: Use of Car for Company's business. The Director (Commercial) shall pay for use of the Car for personal purpose.

PRIYADARSHINI SPINNING MILLS LIMITED

- 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 be encashed.
- 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 with or without modification(s), the following resolution as an Ordinary Resolution:
 "RESOLVED THAT Sri C. Harish, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 27th July, 2002 pursuant to section 260 of the Companies Act, 1956 and Article 36 (e) of the Articles of Association of the Company and who holds the office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company."
07. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special 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 and Central Government, consent of the company be and is hereby accorded to the appointment of Sri C. Harish, as an Executive Director of the Company for a period of 5 years w.e.f 27-07-2002 on the following terms and conditions:
- A. Salary : Rs.20,000/- (Rupees Twenty Thousand only) per month.
- B. Perquisites : Perquisites in Part-I will be restricted to an 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-II 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-III will not be considered as perquisites. Subject to the above the Executive Director will be allowed the following:

PART - I

- 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 Executive Director.
- 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 subject 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 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.4,000/-.
- v) Fees of Clubs : Subject to a maximum of 2 Clubs. No life membership or admission fee will be paid by the Company.

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- viii) Gratuity (Non-interchangeable) : Not to exceed half month's salary for each completed year of Service.



PRIYADARSHINI SPINNING MILLS LIMITED

PART - III

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- 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 be encashed.
- 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.

by the Order of the Board
for **PRIYADARSHINI SPINNING
MILLS LIMITED**

Place: Hyderabad
Date : 27/07/2002

C.K. RAO
Managing Director

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 25.09.2002 to 27.09.2002 (both days inclusive).
- 04. In accordance with the amendments made to the section 205A of the Companies Act, 1956 and introduction of section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remains unclaimed for a period of seven years shall be transferred to the Investor Education & Protection Fund. Thereafter, the shareholders shall not be able to claim any unpaid dividend from the said fund or from the Company. Therefore, the shareholders who have not encashed the dividend warrant(s) so far for the Financial years ended 31st March, 1996, 31st March, 1997 and 31st March, 1998 are requested to make their claim to the Company.
- 05. Members holding shares in physical form are requested to intimate any change in their address quoting their registered folio number to the Company.

- 06. Members holding shares in electronic form are requested to intimate any change in their address to the depository participant with whom the demat account is maintained.
- 07. Members are requested to bring admission slip duly filled in alongwith their copies of Annual Report to the Meeting.
- 08. Members 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.

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

ITEM NO.05

The term of appointment of Sri. A.K. Tyagi, as Director (Commercial) would be expiring on 23rd August, 2002.

The Board of Directors at its meeting held on 27th July, 2002 has re-appointed Sri. A.K. Tyagi, as Director (Commercial) w.e.f. 24.08.2002 on the terms and conditions mentioned in the notice.

Your Board considered Sri A.K. Tyagi's contribution to the Company and commend resolution for approval.

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

ITEM NO.06 AND 07

Mr. C. Harish has been appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 36(e) of the Articles of Association of the Company with effect from 27-07-2002 and holds office upto this Annual General Meeting. The Company has received notice in writing from a member alongwith a deposit of Rs.500/- proposing the candidature of Mr. C. Harish for the office of the Director under provisions of Section 257 of the Companies Act, 1956.

The Board of Directors has appointed Mr. C. Harish as Executive Director of the Company with effect from 27-07-2002 on the terms and conditions as set out in the resolution. Mr. C. Harish is a Post Graduate in Management from Illinois Institute of Technology, Chicago, USA. Considering the size of operations and future plans of the Company, the Board of Directors considered that the services of Mr. C. Harish would be helpful in day to day operations of the Company.

Your Board commend resolution for your approval.

No other Director is concerned or interested in the resolution except Mr. C. Harish and Mr. C.K. Rao. Mr. C. Harish is son of Mr. C.K. Rao.

by the Order of the Board
for **PRIYADARSHINI SPINNING
MILLS LIMITED**

Place: Hyderabad
Date : 27/07/2002

C.K. RAO
Managing Director

PRIYADARSHINI SPINNING MILLS LIMITED**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the 21st Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS

(Rs. in lakhs)

| | Current year ended 31.03.2002 | Previous year ended 31.03.2001 |
|--|----------------------------------|-----------------------------------|
| 1. Sales and other Income | 13127.57 | 13020.12 |
| 2. Profit before interest and depreciation | 1009.94 | 1198.36 |
| 3. Interest | 572.84 | 642.65 |
| 4. Depreciation | 395.42 | 392.75 |
| 5. Profit after interest and depreciation | 41.68 | 162.96 |
| 6. Provision for Taxation | | |
| a) Current tax | 3.19 | 13.81 |
| b) Deferred tax | 11.69 | --- |
| 7. Profit brought forward from previous year | 1988.65 | 2004.50 |
| 8. Profit and Loss A/c. Balance | 2015.45 | 2153.65 |
| APPROPRIATIONS | | |
| 1. Debentures Redemption Reserve | 165.00 | 165.00 |
| 2. Surplus carried forward to Balance Sheet | 1850.45 | 1988.65 |

REVIEW OF OPERATIONS:

The Indian Textile Industry continues to be affected by recession caused by multitude of events including too many players chasing a reduced market whose sentiments were affected by the September 11 terrorist attacks in U.S. and also the reduction in the global prices due to flooding of global markets by the South East Asian countries whose currencies depreciated sharply against the dollar, leading to squeezing of margins which are already low. The slump in overseas markets has diverted the yarn supply to domestic market in excess of its demand which resulted in poor realisation.

The Company has been holding on to the market in this troubled times through innovative cost restructuring initiatives, manpower rationalisation and change in the product mix in tune with the market demands and have successfully weathered the recession storm. In spite of adverse conditions, your Company has recorded a net profit of Rs.38 lakhs after providing for the current Tax for the year 2001-2002.

**MODERNISATION UNDER TUF/
GAS PROJECT:**

Your Company has upgraded the machinery under Technology Upgradation Fund (TUF) Scheme at Unit-I, Sadashivpet, Medak District, Andhra Pradesh with which your Company improved overall operational efficiency.

During the year under review, your Company implemented 3 MW Gas based Power Project at Y.Kothapalli Village, P.Gannavaram Mandal, East Godavari District,

Andhra Pradesh and commenced generation of power during April, 2002. With the commissioning of the power plant, the power cost will come down substantially resulting in improved performance during the current year.

EXPORTS:

Your Company's exports have declined to Rs.1650 lakhs from Rs.2230 lakhs during the year under review. Your Directors hope that the performance for the fiscal 2002-2003 will improve as international markets are stabilising.

WIND MILL:

The 1.8 MW Power Project at Ramagiri, Anantapur District is operating satisfactorily generating 26,86,057 units valued at Rs.1,14,05,593 during the year under review as against 25,84,924 units and Rs.1,03,41,308 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.

FIXED DEPOSITS:

The Fixed Deposits outstanding as on 31.3.2002 amounted to Rs.2,21,70,000 and there were no overdue deposits.

INSURANCE:

The properties of the Company including its buildings, plant and machinery and stocks wherever necessary and to the extent required have been adequately insured.



PRIYADARSHINI SPINNING MILLS LIMITED

CORPORATE GOVERNANCE:

The Securities and Exchange Board of India (SEBI) has introduced a comprehensive code on Corporate Governance by amendment to the Stock Exchanges listing agreement. Your Company has complied all the provisions of the Corporate Governance by constituting Audit Committee, Remuneration Committee and Shareholders / Investors Grievance Committee as per the provisions of the Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors report as under:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that 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 that year;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts on a going concern basis.

DIRECTORS:

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

The term of office of Sri A.K. Tyagi, Director (Commercial) expires on 23.08.2002. The Board recommends the re-appointment of Sri A.K. Tyagi, as Director (Commercial) for a further period of 3 years w.e.f. 24.08.2002.

Mr. C. Harish was appointed as Additional Director and Executive Director of the Company w.e.f. 27-07-2002.

In terms of listing agreement he is an Executive Director. He is son of Mr. C.K. Rao, Managing Director of the Company.

STATUTORY AUDITORS:

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

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 form part of this report.

PARTICULARS OF EMPLOYEES:

In terms of sub-section (2A) of section 217 of the Companies Act, 1956, the Company has no employee drawing salary exceeding Rs.12.00 lakhs per annum or Rs.1.00 lakh per month during the year under review.

HUMAN RELATIONS:

Your Company continues its tradition of harmonious industrial relations at all of its units. Your Directors wish to place on record their appreciation of the spirit of commitment of all its workers, staff and executives. This has resulted in the Company evolving a common objective aimed at enhancing productivity through efficient management of the Company's operations and resources.

ACKNOWLEDGMENT:

Your Directors place on record their appreciation for continued assistance and cooperation extended to the Company by the Financial Institutions and Banks, Central and State Government Departments and other statutory authorities.

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

for and on behalf of the Board of Directors

Place : Hyderabad
Date : 27/07/2002

C.K. RAO
Managing Director

G. ARAVINDA GHOSH
Executive Director

PRIYADARSHINI SPINNING MILLS LIMITED**ANNEXURE TO DIRECTORS' REPORT**

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.

1. CONSERVATION OF ENERGY

The Company has taken various steps over the previous years to conserve energy wherever possible. This process continues to remain a thrust area.

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 OUTGO:

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

The Company is concentrating to develop its position in the International market by maintaining constant touch with the buyers.

b) Total Foreign Exchange used and earned :

| | | |
|-----------------------------|---|------------------|
| i) Foreign Exchange used | : | Rs. 9,55,16,914 |
| ii) Foreign Exchange earned | : | Rs. 16,49,64,137 |

FORM - A**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO
CONSERVATION OF ENERGY****A. Power and Fuel Consumption:**

| | 2001-2002 | 2000-2001 |
|--------------------------------------|---|-----------|
| 1. Electricity : | | |
| a) Purchased : | | |
| Units (in lakhs of KWH) | 400.14 | 296.97 |
| Total amount (Rs.in lakhs) | 1604.06 | 1297.89 |
| Average Rate : (Rs./Unit) | 4.20 | 4.37 |
| b) Own Generation : | | |
| i) Through Diesel Generators | | |
| Units (in lakhs of KWH) | 16.69 | 77.55 |
| Units per Ltr. of Diesel Oil | 3.26 | 3.53 |
| Average Cost : Rs. /Unit | 5.45 | 4.11 |
| ii) Through Wind Mills | | |
| Units generated (in lakhs of KWH) | 26.86 | 25.85 |
| Value Realised (Rs. in lakhs) | 114.05 | 103.41 |
| Average Rate (Rs./Unit) | 4.24 | 4.00 |
| iii) Through Steam Turbine/Generator | Nil | Nil |
| 2. Coal | (Quality : 'D' Round used in boiler for fibre dyeing) | |
| Quantity (Tons) | 780.00 | 1173.00 |
| Total Amount (Rs. in lakhs) | 16.95 | 19.98 |
| Average Rate (Rs./Kg) | 2.17 | 1.70 |
| 3. Furnace Oil | Nil | Nil |
| 4. Others | Nil | Nil |