

# **ANNUAL REPORT**

## **2003 - 2004**

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**Priyadarshini Spinning Mills Limited**

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

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# PRIYADARSHINI SPINNING MILLS LIMITED

## Board of Directors

Mr. G. Anantharaman (IDBI Nominee)  
 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. Srinivas Kodali, Executive Director  
 Mr. Harish Cherukuri, Managing Director  
 Mr. M.V.R.L. Subrahmaneswara Rao

## Company Secretary

## Audit Committee

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

## Shareholders Committee

Dr. K. Rajaveeraiah  
 Mr. Srinivas Kodali  
 Mr. Harish Cherukuri

## 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, Baghamberpet  
 Hyderabad -500 013.

## Bankers

State Bank of India  
 State Bank of Hyderabad  
 Union Bank of India  
 Bank of India  
 Andhra Bank

## Regd. Office

208, 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 District  
 A.P. -502 291.

### Unit-II

Doddavarappadu  
 Maddipadu Mandal  
 Prakasam District, A.P. -523 211.

### Wind Mill

Ramagiri  
 Anantapur District  
 A.P. -515 001.

## Gas Power Project

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



## PRIYADARSHINI SPINNING MILLS LIMITED

### NOTICE

Notice is hereby given that the 23rd Annual General Meeting of Priyadarshini Spinning Mills Limited will be held on Wednesday, the 29th day of September, 2004 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 Audited Balance Sheet as at 31st March, 2004, 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 Mr. K. Rama Mohana 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 & Co., Chartered Accountants, the retiring Auditors of the Company are eligible for re-appointment.

for **PRIYADARSHINI SPINNING MILLS LIMITED**

Place: Hyderabad

Date : 31/07/2004

**HARISH CHERUKURI**

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. The Register of Members and Share Transfer Books of the Company will remain closed from 27.09.2004 to 29.09.2004 (both days inclusive).
03. As per the provisions of the Companies Act, 1956, the amount of dividend remaining 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 year ending 31st March, 1998 are requested to make their claim to the Company. Unclaimed dividend for the year 1996-97 will be transferred to the Investor Education & Protection Fund in the month of October, 2004 on expiry of 7 (seven) years from the date of declaration.
04. Members holding shares in physical form are requested to intimate any change in their address quoting their registered folio number to the Company or to the Share Transfer Agents namely M/s Ikon Visions (P) Limited, 33, Sanali Heavens, 8-3-948, Ameerpet, Hyderabad-500 073. In compliance with the SEBI directions, the Company has appointed M/s Ikon Visions (P) Limited as common agency for share registry work (physical and Electronic).
05. Members holding shares in electronic form are requested to intimate any change in their address to the depository participant (DP) with whom the demat account is maintained.
06. Members are requested to bring admission slip duly filled in alongwith their copies of Annual Report to the Meeting.
07. 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.



## PRIYADARSHINI SPINNING MILLS LIMITED

### DIRECTORS' REPORT

Your Directors have pleasure in presenting the 23rd Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2004.

### FINANCIAL RESULTS

(Rs. in lakhs)

|  | Current year<br>ended 31.03.2004 | Previous year<br>ended 31.03.2003 |
|--|----------------------------------|-----------------------------------|
| 1. Sales and other Income                    | 15712.48                         | 14728.73                          |
| 2. Profit before interest and depreciation   | 1290.78                          | 1250.45                           |
| 3. Interest                                  | 630.14                           | 586.40                            |
| 4. Depreciation                              | 570.32                           | 529.83                            |
| 5. Profit after interest and Depreciation    | 90.32                            | 134.22                            |
| 6. Provision for Taxation                    |                                  |                                   |
| a) Current Tax                               | 6.95                             | 10.57                             |
| b) Deferred Tax                              | 43.66                            | 55.53                             |
| 7. Profit brought forward from previous year | 1056.41                          | 1158.29                           |
| 8. Profit and Loss A/c Balance               | 1096.12                          | 1226.41                           |

### APPROPRIATIONS

|   |         |         |
|---|---------|---------|
| 1. Debentures Redemption Reserve            | —       | 170.00  |
| 2. Surplus carried forward to Balance Sheet | 1096.12 | 1056.41 |

### REVIEW OF OPERATIONS:

During the year under review, your Company has achieved a gross turnover of Rs.157 crores as against Rs.147 Crores in the previous year, thus registering a growth of 7%. However, there is decline in net profit of the Company. The main reasons attributable for this decline are volatile market conditions both in India and abroad, sharp rise in raw material cost during the second quarter of the year and power looms strike against introduction of unbroken cenvat chain coupled with transporter's strike.

Your Directors have initiated measures like reduction in interest rate on term loans availed from Financial Institutions, manpower rationalisation and change in the product mix in tune with the market demands. Your Directors hope that during the fiscal 2004-05, the overall performance of the Company will improve.

### MODERNISATION UNDER TUF :

During the year under review, your Company has completed modernisation of plant and machinery under Technology Upgradation Fund (TUF) Scheme at Unit-II, Doddavarappadu, Maddipadu Mandal,

Prakasam District, Andhra Pradesh. After completion of modernisation, your Company is expected to improve its performance during the fiscal 2004-05.

### EXPORTS:

Your Company's exports have marginally declined by about 8% to Rs.2295 lakhs from Rs.2497 lakhs during the year under review. The main reason attributable for this decline is rupee appreciation against the dollar. Your Directors hope that the performance during the fiscal 2004-05 will improve as your Company is focusing on new markets.

### WIND MILL:

During the year under review, the 1.8 MW Wind Power Project at Ramagiri, Anantapur District, Andhra Pradesh has generated 29,16,466 units as against the 27,59,704 units in the previous year.

### GAS POWER PROJECT:

During the year under review, 3MW Gas based Power Project for captive consumption at Y. Kothapalli Village, P. Gannavaram Mandal, East Godavari



## PRIYADARSHINI SPINNING MILLS LIMITED

District, Andhra Pradesh has generated 1,84,05,729 units as against 1,45,18,423 units in 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 31.3.2004 amounted to Rs.2,53,14,000 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.

### CORPORATE GOVERNANCE :

The Company is in conformity with the code of Corporate Governance enunciated in clause 49 of the listing agreement with Stock Exchanges. A separate report on Corporate Governance is annexed hereto and form part of Directors' Report together a certificate from the Auditors of the Company confirming compliance of the conditions of Corporate Governance.

### UNCLAIMED DIVIDEND:

As per the provisions of section 205C of the Companies Act, 1956, the unclaimed dividend of Rs.82151.50, pertaining to the year 1995-96 has been transferred to the Investor Education and Protection Fund on 11.11.2003.

### VOLUNTARY DELISTING:

As per the members approval at previous Annual General Meeting of the Company and in accordance with the guidelines issued by Securities and Exchange Board of India (SEBI) for voluntary delisting of equity shares, the Company has made an application for delisting of equity shares of the Company on the Hyderabad Stock Exchange Limited. In response to our application, the Hyderabad Stock Exchange Limited has granted permission for delisting of Company's equity shares vide its letter No.HSE:LIST:2004:744, dated 03.03.2004 w.e.f. 04.03.2004.

### DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) such accounting policies have been selected and applied them consistently and made judgments 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) the proper and sufficient care have been taken 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) the annual accounts have been prepared on a going concern basis.

### DIRECTORS:

During the year under review, Mr. G. Aravinda Ghosh, Executive Director has resigned from the office of Director and as an Executive Director of the Company w.e.f. 01.06.2004.

The Board has placed on record its sincere appreciation of the valuable services rendered by Mr. G. Aravinda Ghosh during his tenure as an Executive Director of the Company.

During the year under review, the Industrial Development Bank of India (IDBI) has appointed Mr. G. Anantharaman as its nominee Director on the Board of Directors of the Company.

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

### 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.



## PRIYADARSHINI SPINNING MILLS LIMITED

### 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.24.00 Lakhs per annum or Rs.2.00 Lakhs per month during the year under review.

### HUMAN RELATIONS:

Your Company's Industrial relations continued to be cordial throughout the year under review. Your Company firmly believes that a dedicated work

force constitute the primary source of sustainable competitive advantage. Accordingly, your Company focused on development of human resources. Your Directors wish to place on record their appreciation of the dedicated services rendered by the workers, staff and executives at all levels.

### ACKNOWLEDGMENT:

Your Directors take this opportunity to offer their sincere appreciation for continued assistance and cooperation extended to the Company by various departments of the Central Government and State Governments, Government Agencies, Financial Institutions, Banks, and other statutory authorities.

Your Directors also take this opportunity to offer their sincere thanks to shareholders, customers, and other related organisations, who through their continued support and cooperation, have helped in your Company's growth.

for and on behalf of the Board of Directors

Place : Hyderabad  
Date : 31/07/2004

**HARISH CHERUKURI**  
Managing Director

**SRINIVAS KODALI**  
Executive Director

## ANNEXURE TO DIRECTORS' REPORT

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 Company has taken various steps over the previous years to conserve energy wherever possible. This process continues to remain a thrust area. Energy audit and inter unit studies are carried out on a regular basis for taking necessary steps for reduction of energy consumption.

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, initiatives taken to increase exports, development of new export markets for products and services and export plans.

The Company is concentrating to improve exports by tapping new markets in the international market, through agents and own contacts.

- b) Total Foreign Exchange used and earned:

|                             |                    |
|-----------------------------|--------------------|
| i) Foreign Exchange used    | : Rs. 2,78,59,431  |
| ii) Foreign Exchange earned | : Rs. 22,95,37,885 |



## PRIYADARSHINI SPINNING MILLS LIMITED

## FORM - A

## FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY :

## A. Power and Fuel Consumption:

|                                | 2003-2004   | 2002-2003 |
|--------------------------------|---|-----------|
| 1. Electricity :               |   |           |
| a) Purchased :                 |   |           |
| Units (in lakhs of KWH)        | 230.26  | 247.18    |
| Total amount (Rs.in lakhs)     | 778.96  | 923.69    |
| Average Rate : (Rs./Unit)      | 3.38  | 3.74      |
| b) Own Generation :            |   |           |
| i) Through Diesel Generators   |   |           |
| Units (in lakhs of KWH)        | 4.98  | 16.11     |
| Units per Litre of Diesel Oil  | 3.36  | 3.23      |
| Average Cost : Rs. /Unit       | 7.91  | 6.34      |
| ii) Through Wind Mills         |   |           |
| Units generated (in lakhs KWH) | 29.16   | 27.60     |
| Value (Rs.lakhs )              | 96.85   | 98.25     |
| Average Rate (Rs./Unit)        | 3.32  | 3.55      |
| iii) Through Gas Power Project |   |           |
| Units generated (in lakhs KWH) | 184.06  | 145.18    |
| Value (Rs.lakhs )              | 620.42  | 508.38    |
| Average Rate (Rs./Units)       | 3.37  | 3.50      |
| 2. Coal                        | (Quality : 'D' Round used in boiler for fibre dyeing) |           |
| Quantity (Tons)                | 851.49  | 745.00    |
| Total Amount (Rs. in lakhs)    | 18.45   | 14.97     |
| Average Rate (Rs./Kg)          | 2.16  | 2.01      |
| 3. Furnace Oil                 | Nil   | Nil       |
| 4. Others                      | Nil   | Nil       |

## B. Consumption per unit of production :

|                                 | Standard | Current Year | Previous Year |
|---------------------------------|----------|--------------|---------------|
| Yarn Production (Kgs. in lakhs) | —        | 109.62       | 116.26        |
| Fibre Dyed (Kgs. in lakhs)      | —        | 12.61        | 11.18         |
| Electricity(Units/Kg of Yarn)   | —        | 4.09         | 3.75          |
| Coal(Kgs/Kg of Dyed Fibre)      | —        | 0.67         | 0.67          |

## FORM - B

## Form for Disclosure of particulars with respect to Technology Absorption : Nil

## Research and Development (R&amp;D) :

With the establishment of Research & Development department, the Company is in a position to explore the development of new varieties of Yarn & with more value addition.





## PRIYADARSHINI SPINNING MILLS LIMITED

### REPORT ON CORPORATE GOVERNANCE:

#### 01. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :

Your Company firmly believes that good Corporate practices underscore its drive towards competitive strength and sustained performance. These practices are also powerful tool for building trust and long term relationship with stakeholders of the Company. Your Company's thrust on transparency, integrity, accountability and disclosure has enabled it to accomplish best Corporate Governance practices.

#### 02. BOARD OF DIRECTORS :

##### a) Composition

The Board has seven Directors comprising 2 Executive Directors, one Executive Independent Director and four non-executive Independent Directors. The non-executive Directors are eminent professionals drawn from amongst persons with experience in business, finance and industry. The Composition of the Board is as under:

| Name of the Director   | Category of Director           | No. of other Directorships held (including Private Companies) | Attendance at Board meeting (No. of Board meetings) | Attendance at last AGM |
|------------------------|--------------------------------|---|---|------------------------|
| Mr. C.K. Rao*          | Managing Director              | 3   | 2 (5)   | NA                     |
| Mr. Harish Cherukuri   | Managing Director              | 1   | 4 (5)   | No                     |
| Mr. Srinivas Kodali**  | Executive Director             | 1   | 3 (5)   | Attended               |
| Mr. G. Aravinda Ghosh  | Executive Independent Director | 3   | 5 (5)   | Attended               |
| Mr. A.K. Tyagi         | Executive Independent Director | -   | 2 (5)   | No                     |
| Dr. K. Rajaveeraiah    | Non-executive Director         | -   | 1 (5)   | No                     |
| Mr. Kamlesh Gandhi     | Non-executive Director         | 4   | 5 (5)   | Attended               |
| Mr. K. Rama Mohana Rao | Non-executive Director         | 1   | 4 (5)   | No                     |
| Mr. G. Anantharaman*** | Non-executive Director         | 1   | 1 (5)   | No                     |

\* Ceased to be Director w.e.f. 26.07.2003 \*\* Appointed as an Executive Director w.e.f. 26.07.2003.

\*\*\* Appointed as IDBI Nominee Director w.e.f. 03.09.2003

##### b) Board Meetings

The Board of Directors met 5 (five) times during the year 2003-2004 on 26.04.2003, 26.07.2003, 26.09.2003, 31.10.2003 and 31.01.2004.

The Committee met three times during the year 2003-2004 on 26.04.2003, 26.07.2003 and 31.10.2003.

#### 03. BOARD COMMITTEES:

The Board of Directors has constituted three committees of the Board:

##### a) Audit Committee

The Committee comprises the following three non-executive independent Directors. The Committee has powers similar to those stated in the listing agreement and shall exercise most of the functions as per the terms of reference in line with the requirements of the code.

|                        |          |
|------------------------|----------|
| Mr. Kamlesh Gandhi     | Chairman |
| Mr. K. Rama Mohana Rao | Member   |
| Dr. K. Rajaveeraiah    | Member   |

##### b) Remuneration Committee

The Committee periodically reviews and recommend payment of salaries, commission and other employment conditions of the Whole-Time Directors, subject to approval of Board of Directors and subsequent approval by shareholders at a General Meeting. The Committee consists of the following non-Executive Independent Directors:

|                        |          |
|------------------------|----------|
| Mr. K. Rama Mohana Rao | Chairman |
| Mr. Kamlesh Gandhi     | Member   |
| Dr. K. Rajaveeraiah    | Member   |

During the year under review, the Committee met on 26.07.2003.