

ANNUAL REPORT 2004-05

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PRIYADARSHINI
SPINNING MILLS LTD.

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PRIYADARSHINI SPINNING MILLS LTD.

Board of Directors

Mr. G. Anantharaman (IDBI Nominee)
 Mr. S. Prahalathan Iyer (Exim Bank 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
 2-2-18/18/5, C-31, D.D. Colony
 Near Ahobhila Mutt
 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 LTD.

NOTICE

Notice is hereby given that the 24th Annual General Meeting of Priyadarshini Spinning Mills Limited will be held on Saturday, the 17th day of September, 2005 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, 2005, 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 declare a dividend on equity shares of the Company.
03. To appoint a Director in place of Mr. Kamleish Gandhi, who retires by rotation and being eligible, offers himself for re-appointment.
04. To appoint a Director in place of Mr. A.K. Tyagi, who retires by rotation and being eligible, offers himself for re-appointment.
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 re-appointment.

SPECIAL BUSINESS:

01. 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, 309, 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 Mr. A.K. Tyagi, as Director (Commercial) for a period of 3 years w.e.f 24-08-2005 on the following terms and conditions:

- A. Salary: Rs.32,500/- (Rupees Thirty Two Thousand Five Hundred 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 amount payable by the Director (Commercial) as per income tax rules.
 - 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, he shall pay by way of rent as applicable under income tax rules from time to time.
- ii) Medical benefits for self and family (Non-interchangeable): Reimbursement of expenses actually incurred, the cost of which to the Company shall not exceed half month salary in a year or one and half month 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



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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 the limits laid down by the Income Tax Act, 1961 from time to time.

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.

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.

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

RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 and subject to the approval of Financial Institutions, Central Government, if necessary, and such other

approvals as may be necessary, the consent of the Company be and hereby accorded for modifications in perquisites payable to Mr Harish Cherukuri, Managing Director of the Company w.e.f. 01.04.2005 for the remaining tenure of his office i.e. from 01.04.2005 to 25.07.2008 as follows:

PART-I

(i)(a) Expenditure incurred by the Company on hiring accommodation is limited to 40% of his salary over and above amount payable by the Managing Director as per income tax rules.

(i)(c) In case no accommodation is provided, House Rent Allowance at 40% of the salary will be payable. In case the accommodation provided is a Company owned or leased, he shall pay by way of rent as applicable under income tax rules from time to time.

(ii) Medical: Reimbursement of medical expenses incurred for him and his family shall not exceed half month salary in a year or one and half month salary in block of three years.

RESOLVED FURTHER THAT in the event of no profits or inadequacy of profits, the remuneration payable to Mr. Harish Cherukuri, Managing Director, shall not exceed the limits specified in the section II of Part II of Schedule XIII of the Companies Act, 1956 or such other limits as may be notified by the Government from time to time.

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

RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 and subject to approval of Financial Institutions, Central Government, if necessary, and such other approvals as may be necessary, the consent of the Company be and is hereby accorded for modifications in perquisites payable to Mr. Srinivas Kodali, Executive Director of the Company w.e.f. 01.04.2005 for the remaining tenure of his office i.e. from 01.04.2005 to 25.07.2008 as follows:



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PART-I

- (i)(a) Expenditure incurred by the Company on hiring accommodation is limited to 40% of his salary over and above amount payable by the Executive Director as per income tax rules.
- (i)(c) In case no accommodation is provided, House Rent Allowance at 40% of the salary will be payable. In case the accommodation provided is a Company owned or leased, he shall pay by way of rent as applicable under income tax rules from time to time.
- (ii) Medical : Reimbursement of medical expenses incurred for him and his family shall not exceed half month salary in a year or one and half month salary in block of three years.

RESOLVED FURTHER THAT in the event of no profits or inadequacy of profits, the remuneration payable to Mr. Srinivas Kodali, Executive Director, shall not exceed the limits specified in the section II of Part II of Schedule XIII of the Companies Act, 1956 or such other limits as may be notified by the Government from time to time.

Place: Hyderabad
Date : July 28, 2005

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 08.09.2005 to 10.09.2005 (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

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

RESOLVED THAT the consent of Company be and is hereby accorded for voluntary delisting of equity shares of the Company from Madras Stock Exchange Limited, Chennai and The Stock Exchange, Ahmedabad, with effect from 01.04.2006, subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and the rules framed thereunder, Listing Agreement(s) entered into with Stock Exchange(s), Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, or any amendment or modification thereof and subject to such other approvals, permissions and sanctions as may be necessary by any authority or authorities.

RESOLVED FURTHER THAT the authority be and is hereby accorded to the Board of Directors or any person(s) authorised by the Board, to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution.

for PRIYADARSHINI SPINNING MILLS LIMITED

HARISH CHERUKURI
Managing Director

not be able to claim any unpaid dividend from the said fund or from the Company. Unclaimed dividend for the year 1997-98 will be transferred to the Investor Education & Protection Fund in the month of October, 2005 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



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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.

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

ITEM NO.01

The term of appointment of Mr. A.K. Tyagi, as Director (Commercial) would be expiring on 23rd August, 2005.

The Board of Directors at its meeting held on 28th July, 2005 has re-appointed Mr. A.K. Tyagi, as Director (Commercial) w.e.f. 24.08.2005 on the terms and conditions mentioned in the notice.

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

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

ITEM NO.02 AND 03.

The appointment of Mr. Harish Cherukuri, Managing Director and Mr. Srinivas Kodali, Executive Director were approved by the members at 22nd Annual General Meeting of the Company held on 26th September, 2003 and subsequently modifications approved at an Extraordinary General Meeting held on 15th April, 2005. However, some of the perquisites approved were not in line with Company rules and / or income tax rules. Hence, the proposed modifications in perquisites. The other terms and conditions remain same as approved by the members at the aforesaid General Meetings of the Company.

Place: Hyderabad
Date : July 28, 2005

Yours Directors commend the resolution for your approval.

Except Mr. Harish Cherukuri, Managing Director, Mr. Srinivas Kodali, Executive Director and Dr. K. Rajaveeraiah, Director and father of Mr. Srinivas Kodali, no other Director is interested or concerned in the resolutions.

ITEM NO.04

Since the Company shares are not traded on the Madras Stock Exchange Limited and the Stock Exchange, Ahmedabad for the last so many years. The Company believes that no particular benefit is available to the shareholders of the Company by continuing the listing of the equity shares on the above Stock Exchanges. The Company is therefore contemplating the delisting of its equity shares from the Madras Stock Exchange Limited and the Stock Exchange, Ahmedabad as per guidelines issued by the Securities and Exchange Board of India (SEBI).

As per the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, an exit opportunity need not be provided to the shareholders of the Company on delisting of its equity shares from the Stock Exchanges, provided the equity shares of the Company continue to be listed at 'The Stock Exchange, Mumbai or at National Stock Exchange of India Limited.

The Company's equity shares listing will continue on 'The Stock Exchange, Mumbai', having nation wide trading terminals.

Pursuant to the guidelines issued by SEBI on voluntary delisting by Companies of their securities from the Stock Exchanges, it is now proposed to seek the shareholders' approval by way of a Special Resolution as set out in the Resolution at item No.4 for voluntary delisting of Company's equity shares from 'The Madras Stock Exchange Limited and The Stock Exchange, Ahmedabad'.

Your Directors commend the resolution for your approval.

No Director is concerned or interested in the resolution.

by the Order of the Board
for PRIYADARSHINI SPINNING MILLS LIMITED
HARISH CHERUKURI
Managing Director



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DIRECTORS' REPORT

Your Directors have pleasure in presenting the 24th Annual Report of the Company together with the audited statement of accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

(Rs. in lakhs)

	Current year ended 31.03.2005	Previous year ended 31.03.2004
1. Sales and other Income	13971.21	14283.35
2. Profit before interest and depreciation	1336.03	1349.93
3. Interest & Finance Charges	498.03	689.29
4. Depreciation	586.18	570.32
5. Profit after interest and Depreciation	251.82	90.32
6. Provision for Taxation		
a) Current Tax	19.75	6.95
b) Deferred Tax/(Asset)	(7.86)	43.66
7. Profit brought forward from previous year	1096.12	1056.41
8. Profit and Loss A/c Balance	1336.05	1096.12

APPROPRIATIONS

1. Transferred to General Reserve	60.00	----
2. Dividend	63.00	----
3. Dividend Tax	8.83	----
4. Surplus Carried Forward to Balance Sheet	1204.22	1096.12

DIVIDEND:

Your Directors have recommended dividend on the equity capital at the rate of 10 % for the year ended 31st March, 2005. There will be no tax deduction at source on dividend payments but your Company will absorb 14.025% of dividend amount towards dividend tax and education cess.

REVIEW OF OPERATIONS:

Your directors have pleasure in placing before you the company's performance for the year 2004-05 under review. The profit before tax of the company has increased to Rs.252 lakhs as compared to Rs.90 lakhs in the year 2003-04. The improved market and reduction of interest and other costs have contributed towards the improvement in profits. This has registered a growth of 180% in profits over the last year. However, there is a decline in the turnover due to reduction in excise duty on yarn, some change in product mix and also some export oriented job works undertaken by the company. The capacity utilization is 98%.

Your company is regularly undertaking modernization and technology up-gradation programmes availing the benefits declared by the Government to improve the productivity and quality.

EXPANSION / MODERNISATION UNDER TUF:

Abolition of quota regime and opening up of free trade, the increase in demand for Indian textiles is necessitated the modernization and expansion. During the year under review, your Company has taken-up modernization of plant and machinery under Technology Upgradation Fund (TUF) Scheme at Unit-I, Sadasivpet, Medak District and at Unit-II, Doddavarappadu, Maddipadu Mandal, Prakasam District, Andhra Pradesh. In addition to modernization, additional 7152 spindles are added at unit-II. Both modernization and expansion will be completed in the year 2005-06. With the above modernization/expansion your company will be in a position to manufacture more cotton yarn and value added products to improve the performance of the company.



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EXPORTS:

The company's exports during the year under review is Rs.1993 Lakhs compared to Rs. 2295 Lakhs in the previous year. The decline in the exports is due to sluggishness in demand for exports and almost closure of Turkey market for several months.

WIND MILL:

During the year under review, the 1.8 MW Wind Power Project at Ramagiri, Anantapur District, Andhra Pradesh has generated 28,12,095 units as against the 29,16,466 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 District, Andhra Pradesh has generated 1,94,49,359 units as against 1,84,05,729 units in the previous year.

FIXED DEPOSITS:

The Fixed Deposits outstanding as on 31.3.2005 amounted to Rs.2,90,52,000 and there were no overdue deposits.

INSURANCE:

The properties of the Company including its buildings, plant and machinery and stocks as 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 with 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.64283.00, pertaining to the year 1996-97 has been transferred to the Investor Education and Protection Fund on 19.11.2004.

RIGHTS ISSUE:

Your Company's proposal to issue of 37,80,000 equity shares of Rs.10/- each at a premium not

exceeding Rs.15/- to the existing shareholders is under process and the Company is preparing draft letter of offer to be filed with Securities and Exchange Board of India (SEBI) and other statutory authorities for their approval. As and when the approvals are received by the Company from the authorities concerned, further steps will be taken for issue of equity shares to the existing shareholders in the ratio of three shares for every five shares held on record date to be announced by the Company.

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, the Export-Import Bank of India (Exim Bank) has appointed MR. S.Prahalathan Iyer as its nominee Director on the Board of the Company.

In accordance with the Provisions of the Companies Act, 1956 and Articles of Association of the Company, your Directors Mr. Kamlesh Gandhi and Mr. A.K. Tyagi 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.



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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 at all the units.

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 organizations, who through their continued support and cooperation, have helped in the Company's growth.

Your directors also wish to thank the employees at all levels for the co-operation extended by them in achieving the results.

for and on behalf of the Board of Directors

Place : Hyderabad
Date : July 28, 2005

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 :

The foreign exchange earnings & outgo during the year under review were as follows.

- i) Foreign Exchange used : Rs. 1,06,80,418
- ii) Foreign Exchange earned : Rs. 19,93,08,851