



Priyadarshini

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Annual Report 2007 - 08

**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)
 Mr. A. Vasudevan (Syndicate Bank Nominee)
 Dr. K. Rajaveeraiah
 Mr. K.V. Rao (Alternate Director to Dr. K. Rajaveeraiah)
 Mr. Kamlesh Gandhi
 Mr. K. Rama Mohana Rao
 Mr. Srinivas Kodali, Executive Director
 Mr. Harish Cherukuri, Managing Director

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
 Union Bank of India
 Syndicate Bank
 Bank of India
 Andhra Bank

Regd. Office

Satyanarayana Enclave
 Icon Block, 2nd Floor
 Madinaguda,
 Hyderabad -500 049.

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.

Garments Division

Textile Park, IDA Pashamylaram, Patancheru Mandal
 Medak District, A.P. - 502 319.

PRIYADARSHINI SPINNING MILLS LTD.**NOTICE**

Notice is hereby given that the 27th Annual General Meeting of members of Priyadarshini Spinning Mills Limited will be held on Saturday, the 27th day of September, 2008 at 10.30 A.M. at Sri Sagi Ramakrishnam Raju Community Hall, 8-3-222/R/1, 'E' Block, Madhuranagar, Hyderabad-500 038.

ORDINARY BUSINESS:

1. To Consider and adopt the Audited Balance Sheet as at March 31, 2008, the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. K.Rama Mohana Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Kamallesh Gandhi, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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:

5. 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, the consent of the Company be and is hereby accorded to the appointment of Mr. Harish Cherukuri, as Managing Director of the Company for a period of 5 years w.e.f 26-07-2008 on the following terms and conditions:

- A. Salary : Rs.100000/- (Rupees One Lakh 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 Managing 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 40% of his salary over and above amount payable by the Managing Director 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 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 a block of three 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 - 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

PRIYADARSHINI SPINNING MILLS LTD.



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 Managing Director 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 Managing Director.
- 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.
- E. Commission : @5% subject to the limits specified in Schedule XIII to the Companies Act, 1956.

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.

- 6. 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 appointment of Mr. Srinivas Kodali, as an Executive Director of the Company for a period of 5 years w.e.f 26-07-2008 on the following terms and conditions:

- A. Salary : Rs.100000/- (Rupees One Lakh 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 40% of his salary over and above amount payable by the Executive Director 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 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 a block of three 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.



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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 Executive Director 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 Executive Director.

- 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.
 - E. Commission : @3% subject to the limits specified in Schedule XIII to the Companies Act, 1956.
- 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.

By Order of the Board of Directors
for **PRIYADARSHINI SPINNING MILLS LIMITED**

Place: Hyderabad
Date : July 31, 2008

HARISH CHERUKURI
Managing Director

NOTES:

1. 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.
2. The Register of Members and Share Transfer Books of the Company will remain closed **from 25.09.2008 to 27.09.2008 (both days inclusive)**.
3. 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 ended March 31, 2005 and March 31, 2006 are requested to make their claim to the Company.
4. Members holding shares in physical form are requested to intimate any change in their address quoting their registered folio number to the Registrars and Share Transfer Agents namely **M/s. XL Softech Systems Limited, Plot No.3, Sagar Society, Road No.2, Banjara Hills, Hyderabad-500 034**.
5. 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.
6. Members are requested to bring admission slip duly filled in along with their copies of Annual Report to the Meeting.
7. 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 LTD.**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO.5**

The term of appointment of Mr. Harish Cherukuri, as Managing Director of the Company expires on 25-07-2008. On review of the contribution made to the Company by Mr. Harish Cherukuri, as Managing Director, the remuneration committee at its meeting held on 31.07.2008 has recommended the re-appointment of Mr. Harish Cherukuri, as Managing Director of the Company and remuneration payable to him. Based on the recommendation of the remuneration committee, the Board of Directors at their meeting held on 31.07.2008 has re-appointed Mr. Harish Cherukuri, as Managing Director of the Company for a period of 5 (five) years with effect from 26-07-2008 on the terms and conditions as set out in the resolution as item No.5 of the notice to this Annual General Meeting.

Mr. Harish Cherukuri has joined the Company as an Executive and subsequently he was appointed as Executive Director of the Company in the year 2002. In the year 2003, he was appointed as Managing Director of the Company. Mr. Harish Cherukuri is a graduate in commerce and holds a degree in Master of Business Administration from Illinois Institute of Technology, Chicago, USA.

He is also a Director in M/s. Natwest Investments Limited.

Your Board commend the resolution for your approval.

No other Director is concerned or interested in the resolution except Mr. Harish Cherukuri and Mr. Srinivas Kodali.

ITEM NO.6

The term of appointment of Mr. Srinivas Kodali, as Executive Director of the Company expires on 25-07-2008. On review of the contribution made to the Company by Mr. Srinivas Kodali, as Executive Director, the remuneration committee at its meeting held on 31.07.2008 has recommended the re-appointment of Mr. Srinivas Kodali, as Executive Director of the Company and remuneration payable to him. Based on the recommendation of the remuneration committee, the Board of Directors at their meeting held on 31.07.2008 has re-appointed Mr. Srinivas Kodali, as Executive Director of the Company for a period of 5 (five) years with effect from 26-07-2008 on the terms and conditions as set out in the resolution as item No.6 of the notice to this Annual General Meeting.

Mr. Srinivas Kodali has joined Company in the year 2002 as an Executive and subsequently he was appointed as Executive Director of the Company in the year 2003. Mr. Srinivas Kodali is a graduate in Engineering and holds a degree in Master of Business Administration from New York University. He has 10 years of over all experience in various fields in USA.

Your Board commend the resolution for your approval.

No other Director is concerned or interested in the resolution except Mr. Srinivas Kodali and Dr. Rajaveeraiah, Director and father of Mr. Srinivas Kodali and Mr. Harish Cherukuri.

By Order of the Board of Directors
for **PRIYADARSHINI SPINNING MILLS LIMITED**

Place: Hyderabad
Date : July 31, 2008

HARISH CHERUKURI
Managing Director

PRIYADARSHINI SPINNING MILLS LTD.

**DIRECTORS' REPORT**

Dear members,

The Directors of your Company have pleasure in presenting the 27th Annual Report together with the audited statement of accounts for the year ended March 31, 2008.

FINANCIAL RESULTS

(Rs. in lakhs)

	Current year ended 31-03-2008	Previous year ended 31-03-2007
1. Sales and other Income	19649.90	18655.24
2. Profit before interest and depreciation	1353.26	1735.08
3. Interest and Finance Charges	1005.70	672.39
4. Depreciation	786.62	649.90
5. Profit after interest and Depreciation	(439.06)	412.79
6. Provision for Taxation		
a) Current Tax	-	46.31
b) Fringe Benefit Tax	7.37	10.65
c) Deferred Tax/(Asset)	(211.18)	153.61
7. Prior Period Item	11.39	-
8. Profit brought forward from previous year	1501.93	1299.71
9. Profit and Loss A/c Balance	1255.30	1501.93
APPROPRIATIONS		
1. Surplus carried forward to Balance Sheet	1255.30	1501.93

REVIEW OF OPERATIONS:

During the year under review, your Company has registered a turnover of Rs.196 Crores as against Rs.187 Crores in the previous year. The company has incurred a loss of Rs.413 lakhs before tax against a profit of Rs. 412 lakhs in the previous year. As mentioned in the previous years balance sheet, the sluggishness in the market for the products which began towards the end of the previous fiscal year continued into this fiscal year. Rupee has continued its appreciation through out the fiscal year touching a high of Rs. 39 which effected the export market. Raw material cost of viscose and cotton has increased significantly. Commensurate with the increase in raw material costs the yarn prices have not increased which resulted in losses.

TEXTILE INDUSTRY:

Textile industry has been severely effected by the sudden appreciation of the rupee and increase in raw material prices during the fiscal year 2007-08. This has slowed down the momentum of textile industry in India. During the period from April 2007 to December 2007 the garment Industry made a negative growth of 7.60 % and the growth increase

in the other textiles is hardly 1%. Rupee during the period from April 2007 to September 2007 appreciated by 9.12% compared to appreciation of 2.97% for Chinese Yuan, 0.30% for Pakistan Rupee and 2.97% for the Bangladeshi Taka who are the main competitors to India in the textile trade.

Cotton is one of the major raw materials for the Indian textile industry. India is the second largest producer of cotton in the world, and it has the largest cultivated area of over nine million hectares. This is considered as the major advantage for the textile industry in India. Unfortunately, raw cotton exports have increased from 0.61 million tons in 2005-06 to 1.17 million tons in 2006-07. Even during the period from April 2007 to December 2007 cotton exports reached 0.96 million tons with only half the season completed. This resulted in shortage of cotton in the country and the cotton price has increased considerably. In addition, due to world wise increase in the pulp prices, viscose price also increased considerably. The year witnessed the worst recession in the history of Textile Industry and the combination of increase in raw material prices and appreciation of rupee has resulted in lesser sales realization for the company.

PRIYADARSHINI SPINNING MILLS LTD.**OUTLOOK ON OPPORTUNITIES, RISK AND CONCERN:**

The fundamental growth drivers of Indian economy remain strong. There would be growing opportunities in the international market as well as domestic market. The consumption is growing in response to growing per capita income, population and strong retail push. With regards to textiles, there are significant opportunities in the domestic market as more consumers are buying readymade garments and also consumption of the cloth per capita continues to increase due to growth in the economy which is adding to the purchasing power of the consumers.

Macroeconomic factors including rupee appreciation, increase in freight rates, increase in interest rates and continuous increase in inflation are the major risk factors for the textile industry. If appreciation of rupee continues and freight rate remains at the present level, then the competitiveness of industry against other countries will decrease. Since the products would be diverted to the domestic market, the price realization will decrease even though there is growth in the domestic consumption.

ADEQUACY OF INTERNAL CONTROLS:

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded, and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly. The internal control system is supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. The internal control system is designed to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets. The Audit Committee comprising independent Directors will review the internal control system on quarterly basis.

EXPORTS:

On the export front, in the current year your Company's exports have declined to Rs.4642 lakhs as compared to Rs.6494 lakhs in the previous year. The main reason for decline in exports is appreciation of rupee and lower realization as compared to indigenous market.

WIND MILL:

During the year under review, the 1.8 MW Wind Power Project at Ramagiri, Anantapur District,

Andhra Pradesh has generated 22,72,513 units as against the 27,49,944 units in the previous year.

GAS POWER PROJECT:

During the year under review, 3MW Gas based Power Project situated at Y. Kothapalli Village, P. Gannavaram Mandal, East Godavari District, Andhra Pradesh was not in operation due to non availability of gas from the isolated well allotted to us by Oil and Natural Gas Corporation (ONGC) and the Company is planning to shift the gas engine for re-installation at appropriate place where gas is available.

FIXED DEPOSITS:

The Fixed Deposits outstanding as on 31.3.2008 amounted to Rs. 5,10,05,000 and there were no overdue deposits.

INSURANCE:

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

PREFERENTIAL ISSUE:

During the year under review, company has allotted 10,00,000 (Ten Lakhs) convertible warrants to the promoters/promoter group on preferential basis, convertible into one equity share per warrant of Rs. 10/- each at a premium of Rs. 15/- per share. Subsequently 5,00,000 warrants have been converted into equity shares and necessary listing approval has been obtained from Bombay Stock Exchange, where the company's shares are listed. The remaining 5,00,000 warrants also converted into shares in the Board Meeting held on 19th April 2008 and application is submitted to Bombay Stock Exchange for listing approval, which is pending with them.

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.

DIRECTORS RESPONSIBILITY STATEMENT:

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