

28th
ANNUAL REPORT
2008 - 2009

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Priyadarshini Spinning Mills Limited

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PRIYADARSHINI SPINNING MILLS LTD.

Board of Directors

Mr. S. Prahalathan Iyer (Exim Bank Nominee)
 Mr. P.K.Chandra Sekhar Herle (Syndicate Bank Nominee)
 Dr. K. Rajaveeraiah
 Mr. Kamlesh Gandhi
 (Resigned w.e.f. 20.07.2009)
 Mr. K. Rama Mohana Rao
 Mr. Pusapati Ramachandra Raju (w.e.f. 31.07.2009)
 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.

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 28th Annual General Meeting of Priyadarshini Spinning Mills Limited will be held on Wednesday, the 23rd day of September, 2009 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, 2009, 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 Dr. K. Rajaveeraiah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. K.Rama Mohana Rao, 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 Mr. Pusapati Ramachandra Raju be and is hereby appointed as Director of the company, liable to retire by rotation".

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

Place: Hyderabad
Date : July 31, 2009

HARISH CHERUKURI
Managing Director



PRIYADARSHINI SPINNING MILLS LTD.

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 21.09.2009 to 23.09.2009 (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.
8. The relative explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the special business are annexed here with.
9. Brief profile of the Directors who retire by rotation is given in the Corporate Governance report attached to this notice.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO.05**

Sri Pusapati Ramachandra Raju was appointed as an additional Director of the Company at the Board Meeting held on 31.07.2009 and as per provisions of section 260 of Companies Act, 1956 he holds office as a Director upto the date of this Annual General Meeting. Company has received a notice from a member along with deposit of Rs. 500/- as required by section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Pusapati Ramachandra Raju as a Director. According to article 36(e) of the articles of association of the Company the Director should be liable to retire by rotation.

None of the Directors of the Company except Mr. Pusapati Ramachandra Raju is interested in the said Resolution.

Your Directors recommended the resolution for approval.

By order of the Board of Directors
for PRIYADARSHINI SPINNING MILLS LIMITED

Place: Hyderabad
Date : July 31, 2009

HARISH CHERUKURI
Managing Director



PRIYADARSHINI SPINNING MILLS LTD.

DIRECTORS' REPORT

To the members,

The Directors of your Company have pleasure in presenting the 28th Annual Report together with the audited statement of accounts for the year ended March 31, 2009.

FINANCIAL RESULTS

(Rs. in Lakhs)

	Current year ended 31-03-2009	Previous year ended 31-03-2008
1. Sales and other Income	18343.06	19649.90
2. Profit before interest and depreciation	1290.36	1353.26
3. Interest and Finance Charges	1254.68	1005.70
4. Depreciation	847.85	786.62
5. Profit after interest and Depreciation	(812.17)	(439.06)
6. Provision for Taxation		
a) Current Tax	-	-
b) Fringe Benefit Tax	6.22	7.37
c) Deferred Tax/(Asset)	(534.49)	(211.18)
7. Prior Period Item	13.86	11.39
8. Profit brought forward from previous year	1255.30	1501.93
9. Profit and Loss A/c Balance	957.53	1255.30
APPROPRIATIONS		
1. Surplus carried forward to Balance Sheet	957.53	1255.30

REVIEW OF OPERATIONS:

During the year under review, your Company has registered a turnover of Rs.183.43 Crores as against Rs.196.50 crores in the previous year. The company has incurred a loss of Rs.8.12 crores before tax against a loss of 4.39 crores in the previous year.

TEXTILE INDUSTRY:

The over all performance of Industry during the year under review was affected badly due to lower realizations both in export as well as domestic market. This is mainly on account of currency fluctuations and lower demand due to recession in the Global Economy. While there is some improvement in the domestic market during the middle of the year, your company was unable to take the advantage as there was unexpected/unscheduled imposition of power cut to an extent of 40% coupled with unforeseen labour problems suddenly cropped whereby 25% of man power has to be reduced. These two major factors have hit the production drastically. In summary, company's

performance was adversely affected during the year due to combination of both external and internal factors.

OUTLOOK ON OPPORTUNITIES, RISK AND CONCERN:

The fundamental growth drivers of Indian economy remain strong despite the economic turmoil in the world. 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 interest rates are the major risk factors presently for the textile industry. If there is appreciation of rupee, then the competitiveness of industry vs. other countries will decrease. Since the products would be diverted to the domestic



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market, the price realization will decrease even though there is growth in the domestic consumption. Increase in interest rates will effect the profitability, since the industry is capital intensive.

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 systems on quarterly basis.

EXPORTS:

On the export front, in the current year your Company's exports have declined to Rs.1956 lakhs as compared to Rs.4733 lakhs in the previous year. The main reason for decline in exports is appreciation of rupee and recession in world economy.

WIND MILL:

During the year under review, the 1.8 MW Wind Power Mill has generated 20,21,064 units during the current financial year as against the 22,72,513 units in the previous year.

GAS POWER PROJECT:

During the year under review, 3MW Gas based Power Plant was not in operation due to non availability of gas from the isolated well allotted to the Company by Oil and Natural Gas Corporation (ONGC).

Your Directors have pleasure to inform that GAIL the Marketing Agency of ONGC is tying up with Reliance to connect the gas production through the present pipelines and ensure supply to the existing customers. This will help the Company to start its operations for generation of power.

FIXED DEPOSITS:

The fixed Deposits outstanding as on 31.03.2009 amounted to Rs. 611.54 lakhs 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.

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, Syndicate Bank, Corporate Finance Branch, Panjagutta, Hyderabad has appointed Mr. P.K.Chandra Sekhar Herle in the place of Mr.A.Vasudevan as its nominee director on the Board of the Company.

Sri Kamlesh Gandhi, Director and Sri K.V. Rao alternative Director were resigned from the Board



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of Directors and Pusapati Ramachandra Raju appointed as additional Director and his appointment is to be regularised at this Annual General Meeting.

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 & Co., Chartered Accountants, the Statutory Auditors of the Company retires 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.24.00

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

HUMAN RELATIONS:

During the period industrial relations continued to be cordial at all the units.

ACKNOWLEDGMENT:

Your Directors take this opportunity to offer their sincere thanks for continued assistance and cooperation extended to the Company by various departments of the Central 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 31, 2009

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. 66,12,031
ii) Foreign Exchange earned	: Rs. 18,84,08,819



PRIYADARSHINI SPINNING MILLS LTD.

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

	2008-2009	2007-2008
1. Electricity :		
a) Purchased :		
Units (in lakhs of KWH)	487.00	545.28
Total amount (Rs.in lakhs)	1546.15	1784.80
Average Rate : (Rs./Unit)	3.17	3.27
b) Own Generation :		
i) Through Diesel Generators		
Units (in lakhs of KWH)	0.19	0.10
Units per Litre of Diesel Oil	2.58	2.48
Average Cost : Rs. /Unit	11.79	13.73
ii) Through Wind Mills		
Units generated (in lakhs KWH)	20.21	22.73
Value (Rs.lakhs)	65.13	72.30
Average Rate (Rs./Unit)	3.22	3.18
2. Coal	(Quality : 'B,C & D' Round used in boiler for fiber/yarn dyeing)	
Quantity (Tons)	2457.18	2741.70
Total Amount (Rs. in lakhs)	92.88	81.87
Average Rate (Rs./Kg)	3.78	2.99
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)	—	122.36	132.56
Fibre/yarn Dyed (Kgs. in lakhs)	—	26.24	21.63
Electricity(Units/Kg of Yarn)	—	4.13	4.28
Electricity(Units/Piece)	—	1.05	1.69
Coal(Kgs/Kg of Dyed Fibre/yarn)	—	0.94	1.27

FORM - B**Form for Disclosure of particulars with respect to Technology Absorption : Nil****Research and Development (R&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.