

29th
ANNUAL REPORT
2009 - 2010



Priyadarshini Spinning Mills Limited

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Board of Directors

Mr. S. Prahalathan Iyer (Exim Bank Nominee)
Mr.P.K.Chandra Sekhar Herly
(Syndicate Bank Nominee Resigned w.e.f. 15.04.2010)
Dr. K. Rajaveeraiah
Mr. R.Venkatraman
(Syndicate Bank Nominee Appointed w.e.f. 15.04.2010)
Mr. K. Rama Mohana Rao
Mr. P.Ramachandra Raju
Mr. Srinivas Kodali, Executive Director
Mr. Harish Cherukuri, Managing Director

Company Secretary

Mr. Ramesh Bandari

Audit Committee

Mr. P.Ramachandra Raju
Mr. K. Rama Mohana Rao
Dr. K. Rajaveeraiah

Shareholders Committee

Mr. P.Ramachandra Raju
Mr. Srinivas Kodali
Mr. Harish Cherukuri

Remuneration Committee

Mr. K. Rama Mohana Rao
Mr. P.Ramachandra Raju
Dr. K. Rajaveeraiah

Statutory Auditors

M/s P. Srinivasan & Co.,
Chartered Accountants
12-13-422,
Lane Opp. Bank of Baroda
Street 1, Tarnaka, Secunderabad - 500 017.

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.

Gas Power Project

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

Garments Division

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



NOTICE

Notice is hereby given that the 29th Annual General Meeting of Member's of Priyadarshini Spinning Mills Limited to be held on Wednesday the 29th September, 2010 at 10.30.A.M. at Sri Sagi Rama Krishnam Raju Community hall, 8-3-222/R/1,'E' Block, Madhuranagar, Hyderabad – 500038.

ORDINARY BUSINESS:

1. To Consider and adopt the Audited Balance Sheet as at 31st March, 2010, 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. P.Ramachandra Raju, who retires by rotation and being eligible, offers himself for re – appointment.
4. To Appoint Auditors to hold office till the conclusion of 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:

1. To Consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

“RESOLVED THAT in accordance with the provisions of section 16, 94 and other applicable provisions if any, of the Companies Act, 1956 The existing authorised share capital of the company be and is here by increased from Rs. 20,00,00,000/- (Rupees Twenty Crores only) to Rs. 35,00,00,000/- (Rupees Thirty Five Crores only)”

RESOLVED FURTHER THAT pursuant section 16 of the Companies Act, 1956, Clause V of the memorandum of Association of the company be altered by substituting the existing clause v with following new clause namely:

“The Authorised Share Capital of the Company is Rs. 35,00,00,000/- (Rupees Thirty Five Crores only) divided into 3,00,00,000(Three Crores only) Equity Shares of Rs.10/- (Rupees Ten only) each aggregating to Rs.30,00,00,000(Rs. Thirty Crores only) and 5,00,000 preference shares of Rs.100/- (Rs.Hundred only) each aggregating Rs.5,00,00,000 (Rs. Five Crores only) with power to increase or reduce the capital and to issue any part of its Capital, original or increased with or without any preferences, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions, so that unless the conditions of issue shall otherwise be subject to the power herein contained. The rights and privileges attached to any shares having preferential, qualified or special rights, privileges or conditions attached thereof may be altered or dealt with in accordance with the accompanying Articles of Association but not otherwise.”

6. To consider and if thought fit to pass with or without modification the following resolution as a **Special Resolution**:

“RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be amended by replacing the following sentence in place of Article 3 (a).

“The Authorized Share Capital of the Company shall be as stated in the Clause v of memorandum of Association of the Company.”

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

Place: Hyderabad
Date : 14th August, 2010

RAMESH BANDARI
Company Secretary



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 Registrar of Members and Share Transfer Books of the Company will remain closed from 27.09.2010 to 29.09.2010 (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 31st, 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 - 500034.
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 is annexed herewith.
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 & 06

The Company, in order to meet its growth objectives and to strengthen its finance position, may be required to generate long term resources by issuing securities. It is therefore deemed appropriate to increase the authorised share capital of the company from Rs. 20, 00, 00,000 to Rs. 35, 00, 00,000. And for that purpose, the memorandum of Association and Articles of Association of the Company are proposed to be suitably altered as set out at item Nos. 5 and 6 of the accompanying Notice

The Provisions of Companies Act, 1956 require the Company to seek the approval of the Members for increase in the authorised share capital and for the alteration of capital clause of the Memorandum of Association and the article 3(a) in the Articles of Association of the Company.

The Board of Directors accordingly recommends the resolutions set out at the Item No.5 and 6 of the Accompanying Notice for the approval of the Members.

None of the Directors of the Company are interested or concerned in the above resolutions.

The Board recommends the resolutions for approval of the members.

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

Place: Hyderabad
Date : 14th August, 2010

RAMESH BANDARI
Company Secretary



DIRECTORS' REPORT

To the members,

The Directors of your Company have pleasure in presenting the 29th Annual Report together with the audited statement of accounts for the year ended March 31st, 2010.

FINANCIAL RESULTS

(Rs. in Lakhs)

	Current year ended 31-03-2010	Previous year ended 31-03-2009
1. Sales and other Income	19263.78	18343.06
2. Profit before interest and depreciation	1405.00	1290.36
3. Interest and Finance Charges	1344.94	1254.68
4. Depreciation	846.16	847.85
5. Profit after interest and Depreciation	(786.09)	(812.17)
6. Provision for Taxation		
a) Current Tax	-	
b) Fringe Benefit Tax	-	6.22
c) Deferred Tax/(Asset)	(787.13)	(534.49)
7. Prior period item	-	13.87
8. Net Profit After tax	1.04	(297.77)
9. Profit brought forward from previous year	957.53	1255.30
10. Profit and Loss A/c Balance	958.57	957.53

APPROPRIATIONS

1. Surplus carried forward to Balance Sheet	958.57	957.53
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REVIEW OF OPERATIONS:

During the year under review, company has achieved a turnover of Rs.19264 lakhs as against Rs.18343 lakhs in the previous year, registering a growth of 5%. With the increased turnover, the company has reached to break even level and earned a marginal profit of Rs.1 lakh as against the loss of Rs.298 lakhs in the previous year. This is after considering the deferred tax asset. Significant increase in sales performance during the second half of the year by Rs.2604 lakhs compared to previous year has facilitated the company to earn a profit against the loss during the previous year. This is due to the various steps taken at the plant level to improve the operating efficiencies by minimizing the absenteeism in work force after conclusion of wage agreement and ensuring availability of adequate inputs for uninterrupted production. But for the imposition of power cut and un-scheduled interruption in power supply, the operations would have been improved further.

However, the performance of the company is expected to increase substantially during the next financial year due to improved operations as well as increase in realization in sale price. In addition, company has taken steps to dispose off loss making unit, Garment Division and bring the Gas Based Power unit into operation which will generate additional income. Combination of all these efforts shall yield to have better performance in the next financial year.

TEXTILE INDUSTRY:

Overall performance of the industry during the year under review was still suffering from the economic impact of the financial collapse of the world markets in 2008. Sales realisation began to improve during the last quarter of the financial year due to rebound in the world economy. In addition with the improvement in the USA economy, dollar began to appreciate against other currencies in the world including the rupee. This has improved exports which in turn improved realisations in the domestic market. In addition domestic market also started recovering from the recession resulting in Improvement



in the market. This is expected to continue in the next financial year as economies throughout the world are recovering from the recession.

Infrastructure bottlenecks are affecting the competitiveness of the industry vs. the competitors. Industry has been affected by the substantial power cuts imposed during the summer months every year and increases in power costs throughout the country due to inefficiencies in the grid system. In addition labour costs continue to increase due to shortage of skilled manpower and increases in the DA by the government due to inflation. Interest rates have also begun to increase during the last financial year due to tightening of monetary policy by the RBI to contain the inflation. Even though sales realization have begun to improve the increase in operating costs and infrastructure problems is affecting the profitability of the industry.

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 textile industry, 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.

Macro economic factors including rupee appreciation increase in interest rates, in usages, increase in power tariff and powercuts are the major risk factors presently for the textile industry. If there is an appreciation of rupee, then the competitiveness of industry vs. 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. Increase in interest rates will affect 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 un-

authorized use of 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 liable 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, your Company's exports has been increased to Rs. 2192 lakhs during the year 2009-2010 as Compared to Rs.1956 Lakhs in the previous year thereby registering a growth of 12%. The Company expects further growth in the exports in the fiscal year 2010-2011.

WIND MILL:

During the year under review, the 1.8 M.W. Wind power Mill has generated 24, 45,482 units as against 20,21,064 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 steps have been taken to bring the unit into operation through a lease agreement with svin power plant private limited. Who shall invest for continued supply of gas and undertake to run the plant on the profitable terms.

GARMENT DIVISION:

"The Company had entered the Garment business in 2007 with a view to establish its presence and maximize profits across the entire spectrum of the textile business. The unit is engaged in the manufacturing and sale of garments at its owned facility at Hyderabad. The management has carried out a comprehensive review of the business of the Company and it was found that the return to the Company from the Garment unit is not commensurate



with the Investment and the efforts put into the Undertaking. The potential for Growth has remain unrealized and it was decided to completely exit the Garment business in the event of being able to realize a fair value by disposing off the undertaking.

Your Directors have pleasure to inform that the Company has identified a buyer, and the Board of Directors at their meeting held on 07.05.2010 has given their consent to dispose off the garment division to Marigold landmark Estates Private Limited who has offered the fair market value.

Accordingly members of the Company have approved the resolution for sale of garment Division through postal Ballot

The Board is satisfied that it is in the Best interest of the Company, shareholders and its lenders, to sell the said undertaking “

FIXED DEPOSITS:

The fixed Deposits outstanding as on 31.03.2010 amounted to Rs.626.51 Lakhs and there were no overdue Deposits.

INSURANCE:

The properties of the Company including its building, 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 Director's 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 has appointed Mr. R.Venkatraman in the place of Mr. P.K.Chandara Sekhar Herle as its nominee Director on the Board of the Company.

In Accordance with the provisions of the Companies Act, 1956 and Article of Association of the Company, two of your Directors Mr. K.Rama Mohana Rao and Mr. P.Ramachandra Raju 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 Section217(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 employees 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 under review the industrial relations continued to be cordial at all the units.

**ACKNOWLEDGEMENT:**

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, creditors and other related organizations, for their continued support and Cooperation, and 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: 14th August, 2010

Harish Cherukuri
Managing Director

Srinivas Kodali
Executive Director

Ramesh Bandari
Company Secretary

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 year 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 as follows.

i) Foreign Exchange used	:	Rs. 1,60,40,139
ii) Foreign Exchange Earned	:	Rs. 21,36,28,649



FORM - A

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

A. Power and Fuel Consumption:

	2009-2010	2008-2009
1. Electricity :		
a) Purchased :		
Units (in lakhs of KWH)	490.46	487.00
Total amount (Rs.in lakhs)	1653.33	1546.15
Average Rate : (Rs./Unit)	3.37	3.17
b) Own Generation :		
i) Through Diesel Generators		
Units (in lakhs of KWH)	0.14	0.19
Units per Litre of Diesel Oil	2.38	2.58
Average Cost : Rs. /Unit	20.58	11.79
ii) Through Wind Mills		
Units generated (in lakhs KWH)	24.45	20.21
Value (Rs.lakhs)	81.96	65.13
Average Rate (Rs./Unit)	3.35	3.22
2. Coal		
(Quantity : 'B,C & D' Round used in boiler for fiber/yarn dyeing)		
Quantity (Tons)	2711.08	2457.18
Total Amount (Rs. in lakhs)	101.12	92.88
Average Rate (Rs./Kg)	3.73	3.78
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)	—	123.06	122.36
Fibre/yarn Dyed (Kgs. in lakhs)	—	32.24	26.24
Electricity(Units/Kg of Yarn)	—	3.97	4.13
Electricity(Units/Piece)	—	0.94	1.05
Coal(Kgs/Kg of Dyed Fibre/yarn)	—	0.84	0.94

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.