

**30th  
ANNUAL REPORT  
2010 - 2011**



**Priyadarshini Spinning Mills Limited**

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### Board of Directors

Mr.Kowsaledra Rao, Executive Vice Chairman  
 Mr. Harish Cherukuri, Managing Director  
 Mr. Srinivas Kodali, Executive Director  
 Mr.P.Ramachandra Raju, Director  
 Mr.K.Rama Mohana Rao, Director  
 Mr.K.Uma Maheswaram, (Exim Bank Nominee) From(29.04.2011)  
 Mr.H.N.Vishweshwar (Syndicate Bank Nominee) (From 11.02.2011)  
 Mr. S.Prahalathan Iyer (Exim Bank Nominee) (Upto 11.05.2011)  
 Mr. R.Venkatraman (Syndicate Bank Nominee (Upto 11.02.2011)  
 Mr.Rajaveeraiah Kodali, Director (Resigned w.e.f. 08.06.2011)  
 Mr.P.Ramachandra Raju, Director (Resigned w.e.f 09.08.2011)  
 Mr.Vasudevan Chaturvedi, Director (from 13.08.2011)

### Company Secretary

Mr. Ramesh Bandari

### Audit Committee

Mr. P.Ramachandra Raju  
 Mr. K. Rama Mohana Rao  
 Dr. K. Rajaveeraiah  
 Mr.Harish Cherukuri  
 Mr.Vasudevan Chaturvedi

### Shareholders Committee

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

### Remuneration Committee

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

### Statutory Auditors

M/s P. Srinivasan & Co.,  
 Chartered Accountants  
 12-13-422, Street No. 1, (Lane Opp. Bank of Baroda)  
 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, 2<sup>nd</sup> 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.



## PRIYADARSHINI SPINNING MILLS LTD.

### NOTICE

Notice is hereby given that the 30<sup>th</sup> Annual General Meeting of Member's of Priyadarshini Spinning Mills Limited to be held on 29<sup>th</sup> September, 2011 at 11.00. A.M. At Sri Sgi Rama Krishnama 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 31<sup>st</sup> March, 2011, 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. Harish Cherukuri Managing Director, who retires by rotation and being eligible, offers himself for re - appointment.
3. To Appoint a Director in place of Mr. Srinivas Kodali Executive Director, 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:

5. To Consider and, if thought fit, to pass with or without modification(s), the following resolution as a Ordinary Resolution:  
RESOLVED THAT Mr. Kowsalendra Rao Cherukuri, who was appointed as an additional Director by the Board under section 260 of the Companies Act, 1956 and articles of association of the Company and who holds office only up to the date of this Annual General Meeting and in respect of whom the Company has received Notice in writing, under section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of a director of the Company, be and is hereby appointed as a director of the Company"
6. To Consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:  
RESOLVED THAT pursuant to section 198,269, 310 and other applicable provisions, if any, red with Schedule XIII of the companies Act, 1956, and subject to the approval of financial institutions if any, the consent of the company be and is hereby accorded to the appointment of Mr. C.K.Rao as Executive Vice chairman for a period of 3 years as under:  
**A. Salary: Rs. 150000/-(Rupees one lakh fifty thousand only) per month.**  
**B. Perquisites:** Perquisites in part - I will be as per the Company's Policy. 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 Vice Chairman will be allowed the following

#### Part – I

- i. **Medical:** Reimbursement of Medical Expenses incurred for him and his family shall not exceed half a month salary in a year or one and half month salary in a block of three years.
- ii. **Leave Travel Concession:** Leave Travel Concession for self and family once in a year in accordance with the rules of the Company.
- iii. **Personal Accident Insurance:** Annual Premium not Exceed Rs. 4000/-.
- iv. **Fees of Club:** Subject to a maximum of 2 Clubs. No life membership or admission fee will be paid by the company.

#### PART – II

- v. **Gratuity:** (Non-interchangeable): Not to exceed half a month's salary for each completed year of Service.

#### PART – III

- vi. **Car:** Use of Car for Company's business. The Executive Vice Chairman shall pay for use of the car for personal purpose.
- vii. **Telephone:** Telephone facility will be provided at residence. All long distance personal calls shall be logged and paid by the Executive Vice Chairman.
- C. **Privileged Leave:** On full pay and allowances, as per the rules of the Company but not exceeding one month leave for every 11months 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 inadequate profits the remuneration payable to Mr.C.K.Rao, Executive vice Chairman shall not exceed the limits prescribed under schedule XIII of the Companies Act, 1956 as amended from time to time.

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

RESOLVED THAT Mr.Vasudevan Chaturvedi, who was appointed as an additional Director by the Board under section 260 of the Companies Act, 1956 and articles of association of the Company and who holds office only up to the date of this Annual General Meeting and in respect of whom the Company has received Notice in writing, under section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of a director of the Company, be and is hereby appointed as a director of the Company"

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

"RESOLVED THAT pursuant to the provisions of Sections 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or reenactment thereof) and the Articles of Association of the Company, and subject to the regulations/rules/ guidelines issued by the SEBI, recognized Stock Exchanges in India, such other approvals, permissions, sanctions and consents as may be necessary and required under applicable laws, rules, regulations and contracts, and on such terms, conditions, alterations, modifications, corrections, changes and variations, if any, that may be stipulated under such approvals, permissions, sanctions and consents, (which may be accepted by the Board of Directors of the company), as the case may be, Consent of the Company, be and is hereby accorded to the Board of Directors (which term shall include any duly constituted and authorized committee thereof) for offering, issuing and allotting on a private placement and/or preferential basis, to the Promoters and Persons Acting in their Concert (and/or their nominees, associates or affiliates as disclosed identity of the persons in the explanatory statement to this), Convertible Debentures (CDs) for an amount of Rs.600 (Six Hundred) Lakhs carrying a right/ an entitlement to convert into not exceeding 11,97,000 (Eleven Lakhs Ninty Seven Thousands) Equity Shares of Rs.10/-(Ten) each after 6 months and within 18 months from the date of allotment, at such price to be determined considering the date thirty days prior to the date on which the holders of the convertible debentures entitled to apply in one or more tranches for conversion into equity shares as the Relevant Date as per provisions of Regulation 71(b) of Chapter VII of SEBI (ICDR) Regulations, 2009, and on such further terms and conditions, including the conversion of unsecured loan amount as allotment money towards full payment of consideration at the time of allotment of convertible debentures and number of CDs and face value of each CD as may be approved or finalised by the Board of Directors."

"**FURTHER RESOLVED THAT** for the purpose of giving effect to the aforesaid special resolution under Section 81 (1A) of the Companies Act, 1956, the Board of Directors (which term shall include any duly constituted and authorised committee thereof) of the Company be and is hereby authorised to take such steps and to do all such other acts, deeds, matters and things and accept any alteration(s) or amendment(s) or correction(s) or modification(s) as it may deem fit and appropriate and give such directions/ instructions as may be necessary to settle any question, difficulty or doubt that may arise in regard to offer, issue, allotment of the said Debentures and to refund excess monies, if any, after the allotment."

"**FURTHER THAT** the Equity Shares to be issued and allotted shall rank pari passu with the existing Equity Shares of the Company in all respects."

"**FURTHER THAT** the Board be and is hereby authorised to accept any modification in the proposal as may be required by the agencies involved in such issues but subject to such conditions as the Stock Exchanges/SEBI/Financial Institutions/Investors or such other appropriate authority may impose at the time of their approval as agreed by the Board."

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

Place: Hyderabad  
Date : 13<sup>th</sup> August, 2011

**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 27.09.2011 to 29.09.2011 (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<sup>st</sup>, 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, Banjar 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 AS REQUIRED U/S. 173(2) OF THE COMPANIES ACT, 1956**

**ITEM NO.5**

Mr.Kowsalendra Rao Cherukuri, joined on the board of the company on 08<sup>th</sup> June, 2011 as an additional director and as per the provisions of section 260 of the companies Act, 1956 he will hold office as a director up to the date of this annual general meeting. Company has received Notice as prescribed under section 257 of the Companies Act, 1956 from a member along with deposit of Rs.500/- signifying his intention to propose Mr.Kowsalendra Rao Cherukuri for appointment as a Director.

The Board of Directors recommends passing of the Resolution

None of the Directors, except, Mr.Kowsalendra Rao Cherukuri, Mr. Harish Cherukuri is in any way concerned in the resolution.

**ITEM NO.6**

The Board of Directors has also appointed Mr.Kowsalendra Rao Cherukuri, as Executive Vice Chairman of the Company for a period of 3years effective from 08<sup>th</sup> June, 2011 on the terms and conditions as set out in the Resolution, Subject to the approval of the Shareholders of the Company

As per the provisions of section 198, 269 and 309 read with Schedule XIII to the Companies Act, 1956, the appointment of and remuneration to Executive Vice Chairman requires approval of shareholders in General Meeting by way of a Special Resolution.

The Board of Directors recommends the above resolution to be passed as a special resolution.

None of the Directors, except, Mr.Kowsalendra Rao Cherukuri, Mr. Harish Cherukuri is in any way concerned in the resolution.

**ITEM NO.7**

Mr.Vasudevan Chaturvedi, was appointed as an Additional Director of the Company by the Board of Directors w.e.f.13<sup>th</sup> August, 2011.pursuant to section 260 of the Companies Act, 1956, Mr.Vasudevan Chaturvedi, holds office only up to the Annual General Meeting. As required under section 257 of the Companies Act, 1956, notice has been received from a member along with deposit of Rs.500 signifying his intention to propose Mr.Vasudevan Chaturvedi, as a candidate for the office of Director.

The Board of Directors recommends passing of the Resolution

None of the Directors, except, Mr.Vasudevan Chaturvedi, is in any way concerned in the resolution



# PRIYADARSHINI SPINNING MILLS LTD.

## Item No.8

The Information as required under Regulation 73 of the SEBI (ICDR) Regulations, 2009 for Preferential Issues are as under:

### a) Object of the issue:

To convert the unsecured loans brought by the promoters and their entities as a part of stipulation by the bankers of the Company.

### b) Intention of Promoters / Directors / Management personnel to subscribe to the offer:

Shri C.K. Rao, Executive Vice Chairman, Shri Harish Cherukuri, Managing Director and Shri Srinivas Kodali, Executive Director are the main Promoters. As a part of condition of bankers the promoters brought Unsecured Loans to the tune of Rs. 600 Lakhs through their entities. As the banks are insisting to convert those loans into Equity Share Capital, the promoters are proposing to convert their loans to the extent of Rs.600 Lakhs as convertible debentures keeping in view the SEBI (ICDR) Regulations, 2009.

### c) Shareholding before and after the issue of shares:

Category Code	Category of Shareholder	Pre-issue		Post-Issue*	
		Pre-issue Shares held	Stake %	Post-Issue Shares held	Stake %
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>				
<b>(1)</b>	<b>Indian</b>				
(a)	Individuals/ Hindu Undivided Family	2414038	21.79	2414038	19.66
(b)	Bodies Corporate	2680913	24.20	*3877913	31.59
	<b>Sub-Total (A)(1)</b>	<b>5094951</b>	<b>45.98</b>	<b>6291951</b>	<b>51.25</b>
<b>(2)</b>	<b>Foreign</b>				
(a)	Individuals (Non-Resident	-	-	-	-
	Individuals/ Foreign Individuals)	-	-	-	-
(b)	Bodies Corporate	-	-	-	-
(c)	Institutions	-	-	-	-
	<b>Sub-Total (A)(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)</b>	<b>5094951</b>	<b>45.98</b>	<b>6291951</b>	
		<b>51.25</b>			
<b>(B)</b>	<b>Public Shareholding</b>				
<b>(1)</b>	<b>Institutions</b>				
(a)	Mutual Funds / UTI	100	-	100	-
(b)	Financial Institutions / Banks	100	-	100	-
(f)	Foreign Institutional Investors	-	-	-	-
	<b>Sub-Total (B)(1)</b>	<b>200</b>	<b>-</b>	<b>200</b>	<b>-</b>
<b>(2)</b>	<b>Non-institutions</b>				
(a)	Bodies Corporate	2428166	<b>21.91</b>	2428166	19.77
(b)	Individuals-(i)Individual shareholders holding nominal share capital up to Rs.1 lakh.	1870652	<b>16.88</b>	1870652	15.24
	(ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	1549701	<b>13.99</b>	1549701	12.62
(c)	Any Other (specify)				
	- Non-resident Indians	32609	<b>0.30</b>	32609	0.26
	- Clearing Members	103721	<b>0.94</b>	103721	0.84
	<b>Sub-Total (B)(2)</b>	<b>5984849</b>	<b>54.02</b>	<b>5984849</b>	<b>48.75</b>
	<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>5985049</b>	<b>54.02</b>	<b>5985049</b>	<b>48.75</b>
	<b>TOTAL (A)+(B)</b>	<b>11080000</b>	<b>100</b>	<b>12280000</b>	<b>100</b>
<b>(C)</b>	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>	-	-	-	-
	<b>(1) Promoters &amp; Promoter Group</b>	-	-	-	-
	<b>(2) Public</b>	-	-	-	-
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>11080000</b>	<b>100</b>	<b>12280000</b>	<b>100</b>

\* this may differ based on the actual allotment at a price determines as per the regulations as on relevant date and the maximum shares will be as stated above.



## PRIYADARSHINI SPINNING MILLS LTD.

- d) The Company will complete the allotment of Convertible Debentures within a period of 15 days from the date of passing of the resolutions by the shareholders or when the allotment on preferential basis requires any approval by any regulatory authority like Stock Exchanges or Central Government, the allotment of Convertible Debentures will be completed within 15 days from the date of such approvals.
- e) Identity of allottees with percentage of expanded capital to be held by them. The proposed allottees (and / or their nominees, associates or affiliates) are:

Sl. No	Name of the Proposed Allottees	Present Holding	% of Present Holding	Present Holding (Considering Maximum Shares)	% Of Post Issue
1	Sravanti Agencies Private Limited	NIL	NIL	11,97,000	9.75%

**f) Lock In Requirements:**

The shares to be allotted on preferential basis shall be subject to lock-in as per applicable Chapter VII SEBI (ICDR) Regulations, 2009 in this regard.

**g) Auditors' Certificate**

M/s.P.Srinivasan & Co., Chartered Accountants, the Statutory Auditors of the Company have certified that the preferential issue is being made in accordance with the requirements contained in SEBI (ICDR) Regulations, 2009. A copy of the certificate is kept for inspection at the Registered Office of the Company during the business hours.

**h) Relevant Date:**

Relevant Date for the purpose is the date 30 days prior to the date on which the holders of the convertible debentures entailed to apply for the conversion into equity shares.

- i) Undertaking to re-compute the price: The Company and Promoters undertake that they shall re-compute the price of the specified securities in terms of the provision of the Chapter VII of SEBI (ICDR) Regulations, 2009 if it is required to do so.
- j) Undertaking to put under lock-in till the re-computed price is paid: The Company and Promoters undertake that if the amount payable on account of re-computation of price is not paid.

There will neither be any change in the composition of the Board nor any change in the control of the company on account of the proposed preferential allotment. However, there will be corresponding change in the shareholding pattern as well as voting rights consequent on conversion of equity shares from Convertible Debentures issued on preferential allotment basis.

Section 81 of the Companies Act, 1956 provides inter alia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, etc., such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the shareholders in general meeting decide otherwise by passing a special resolution. Therefore, consent of the shareholders by way of Special Resolution is being sought pursuant to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of Chapter VII of the SEBI (ICDR) Regulations 2009 and the listing agreements executed by the Company with the Stock Exchanges where the Company's shares are listed.

The members are, therefore, requested to accord their approval authorising the Board to go for the proposed private placement and / or preferential issue as set out in the resolution.

Shri C.K. Rao, Executive Chairman, Shri Harish Cherukuri, Managing Director and Shri Srinivas Kodali, Executive Director Directors of the company are being considered as interested in the resolution as the allottee are part of the Promoters' Group.

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

Place: Hyderabad  
Date : 13th August, 2011

**RAMESH BANDARI**  
Company Secretary





## DIRECTORS' REPORT

To the members,

The Directors of your Company have pleasure in presenting the 30<sup>th</sup> Annual Report together with the audited statement of accounts for the year ended March 31<sup>st</sup>, 2011.

### FINANCIAL RESULTS

(Rs. in Lakhs)

	Current year ended 31-03-2011	Previous year ended 31-03-2010
1. Sales and other Income	26109.33	19263.78
2. Profit before interest and depreciation	2254.97	1405.00
3. Interest and Finance Charges	1368.03	1344.94
4. Depreciation	806.59	846.16
5. Profit after interest and Depreciation	(80.35)	(786.09)
6. Provision for Taxation		
a) Current Tax	(15.01)	-
b) Fringe Benefit Tax	-	-
c) Deferred Tax/(Asset)	807.89	(787.13)
7. Prior period item	-	-
8. Net Profit After tax	873.22	1.04
9. Profit brought forward from previous year	958.56	957.53
10. Profit and Loss A/c Balance	1831.79	958.57
<b>1. Surplus carried forward to Balance Sheet</b>	<b>1831.79</b>	<b>958.57</b>

### APPROPRIATIONS

### REVIEW OF OPERATIONS:

During the year under review, company has achieved a turnover of Rs. 26109.33 lakhs as against Rs.19263.78 lakhs in the previous year, registering a growth of 35.53%.earned a profit of Rs.83 lakh as against the profit of Rs. 1.00 lakhs in the previous year. Though there was increase in turnover it was not reflected in the profitability on account of the increase in the cost of raw materials Cotton and Polyster from the Second half of the year not compensating increase in sale price has pulled down the margin. But for the external factors the operating results could have been better.

The textile industry entered demand contraction in the Month of April 2011 and normalcy is yet to be restored. The impact of this has affected the cotton yarn division at Ongole more. The Ongole Unit was incurring losses from the second half of the year. The company proposes to sell off the Ongole Unit and pre pay loans thus reducing the interest cost

and repayment commitment to improve the cash flows and invest in the working capital to improve the operational efficiency and cost reduction.

The company proposed a Corporate Debt Restructuring to the bankers seeking certain concessions with promoters contribution and sale of the Ongole Unit and Gas Turbine. The same is under discussion stage, all these efforts shall yield to have better performance in the next financial year.

### TEXTILE INDUSTRY:

Textiles and clothing constitutes the largest manufacturing industry in the country accounting for 4 per cent of GDP, 14 per cent of industrial production and around 12 per cent of the country's total exports. The industry directly provides employment to 35 million workers and provides indirect employment to another 47 million workers. 2010-11 was a good year for the sector in terms of turnover, sales, profit and growth in investments.



The spinning sector has invested over Rs. 40,000 crore in modernization and capacity expansion and its current installed capacity has risen from 38 million spindles in 2001 to 45 million spindles in 2011, i.e., within a 10 year period. The government has been encouraging yarn exports and the domestic consumers never had short supply of yarn. Almost all the global leading players in textiles and clothing manufacturing in countries like European Union, USA, far-east countries including Japan, Bangladesh, have been depending on Indian cotton yarn over decades.

When the cotton prices became highly volatile and speculative during the last year, the yarn price increased steeply though it never matched the abnormal increase in cotton price. Because of persistent demand of value added segments, the government fixed a cap of 720 million kg for exports during the year 2010-11 as against industry demand for 1100 million kg, brought controls on yarn exports and suspended exports for almost three months (Jan-Mar. 2011). In the process, the Indian spinners lost their credibility in the international market as a reliable supplier and lost very valuable customers with whom they had over two decades of business relationship. In addition, the government also withdrew all export benefits including the DEPB/DBK.

The demand for cotton yarn domestically declined substantially and the closure of nearly 1000 dyeing units in Tamil Nadu due to pollution issue (by the High Court) added fuel to the situation. All this resulted in accumulation of stock with Spinning Mills. As on 31<sup>st</sup> March 2011, the closing stock exceeded 300 million kgs and by May it exceeded 500 million kgs due to sudden glut in the international and domestic markets.

#### **THE IMPACT OF COTTON POLICY**

During the year 2010-11, the world witnessed a global shortage of cotton as it was assessed by International Cotton Advisory Committee (ICAC) that the crop of raw cotton will be lower by 10%. The international prices of cotton increased from US \$ 0.84 per pound in October, 2010 to a record level of US \$ 2.30 per pound in April, 2011, within a period of 6 months, which was unprecedented and a record price in cotton history. The cotton price in India moved in tandem with the world

market and also increased from Rs.35,000/- per candy to Rs. 62,500/- per candy during the same period. The premature announcement of cotton exports and lower stock use ratio made cotton prices highly volatile.

#### **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 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 shown impressive performance by achieving export turnover of Rs. 2669 lakhs during the year 2010-2011 as Compared to Rs.2192.51 Lakhs in the previous year thereby registering a growth of 21.73%. The Company expects further growth in the exports in the fiscal year 2011-2012.

#### **WIND MILL:**

During the year under review, the 1.8 M.W Wind power Mill has generated 20,50,800 units as against 24, 45,482 units in the previous year.

#### **GAS POWER PROJECT:**

The 3 .M.W. Gas based power project of the Company has not generated power due to non-availability of Gas

During the year under review, 3MW Gas based Power Plant was not in operation.

The company proposes to sell this unit during the current year 2011-2012 and the proceeds will be utilized for the purpose strengthening working