

**31st
ANNUAL REPORT
2011 - 2012**



Priyadarsini Limited
(Formerly known as Priyadarshini Spinning Mills Limited)

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**Board of Directors**

Mr.Kowsaledra Rao Cherukuri, Executive Vice Chairman
 Mr. Harish Cherukuri, Managing Director
 Mr.K.Rama Mohana Rao, Director
 Mr.David L.Sinate,(Exim Bank Nominee)
 Mr.H.N.Vishweshwar, (Syndicate Bank Nominee)
 Mr.Vasudev Chaturvedi, Director
 Mr.D.Venkatratnam, Director
 Mr.P.Govardhana Naidu Additional Director

Company Secretary

Mr. Ramesh Bandari

Audit Committee

Mr. D. Venkata Ratnam
 Mr. K. Rama Mohana Rao
 Mr. Harish Cherukuri
 Mr. Vasudev Chaturvedi
 Mr. P. Govardhana Naidu

Shareholders Committee

Mr. D. Venkata Ratnam
 Mr. Harish Cherukuri
 Mr. P. Govardhana Naidu

Remuneration Committee

Mr. D. Venkata Ratnam
 Mr. K. Rama Mohan Rao
 Mr. Vasudev Chaturvedi
 Mr. P. Govardhana Naidu

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
 Exim Bank
 HDFC

Regd. Office

Survey No. 744 & 745
 Sadasivpet, Sadasivpet Mandal
 Medak District - 502291

Corp. Office

H. N.o. 262/3RT, 3rd Floor,
 M.N. Reddy Classic Building,
 S.R. Nagar, Hyderabad - 38.

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.

Wind Mill

Ramagiri
 Anantapur District
 A.P. -515 001.

Gas Power Project

Y. Kattapalli Village, P. Gannavaram Mandal
 East Godavari District
 A.P. - 533240.



NOTICE

Notice is hereby given that the 31st Annual General Meeting of Member's of M/s. Priyadarsini Limited (Formerly known as Priyadarshini Spinning Mills Limited) to be held on Saturday the 29th December 2012 at 11-00 a.m. at the Regd. Office Survey No. 744 & 745, Factory Premises, Sadasivpet, Sadasivpet Mandal, Medak District - 502291.

ORDINARY BUSINESS:

1. To Consider and adopt the Audited Balance Sheet as at 31st March, 2012, 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.Vasudev Chaturvedi, 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 an Ordinary Resolution:

RESOLVED THAT Mr. P.Govardhana Naidu, 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"

By order of the Board of Directors
for **PRIYADARSINI LIMITED**

Place: Hyderabad
Date : 10th November, 2012

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 Register of Members and Share Transfer Books of the Company will remain closed from 27 - 12 - 2012 to 29-12-2012 (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, 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 with respect to 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**

Mr.P.Govardhana Naidu was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 14th February, 2012.pursuant to section 260 of the Companies Act, 1956, Mr. P.Govardhana Naidu, 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.P.Govardhana Naidu, as a candidate for the office of Director.

The Board of Directors recommends passing of the Resolution None of the Directors, except, Mr.P.Govardhana Naidu, is in any way concerned in the resolution

for **PRIYADARSINI LIMITED**

Place: Hyderabad
Date : 10th November, 2012

RAMESH BANDARI
Company Secretary



DIRECTORS' REPORT

To the members,

The Directors of your Company have pleasure in presenting the 31st Annual Report together with the audited statement of accounts for the year ended March 31st, 2012.

FINANCIAL RESULTS

(Rs. in Lakhs)

	Current year ended 31-03-2012	Previous year ended 31-03-2011
1. Sales and other Income	18974.13	26109.33
2. Profit before interest and depreciation	(2141.55)	2254.99
3. Interest and Finance Charges	1728.76	1368.03
4. Depreciation	793.54	806.59
5. Profit/(loss) after interest and Depreciation	(4663.85)	80.36
6. Provision for Taxation		
a) Current Tax	-	(15.02)
b) Fringe Benefit Tax	-	-
c) Deferred Tax charge	369.29	807.89
7. Prior period item	-	-
8. Net Profit(loss) After tax	(4294.56)	873.23
9. Profit and Loss A/c Balance	(2462.76)	1831.80

APPROPRIATIONS

1. Surplus carried forward to Balance Sheet	(2462.76)	1831.80
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REVIEW OF OPERATIONS:

During the year under review, the company has achieved a turnover of Rs. 18974.13 lakhs against Rs.26109.33 in the previous year. Thus registering a negative growth of 27.32%. The company has incurred a loss of Rs. (4294.56) Lakhs against a profit of Rs.873.23 Lakhs in the previous year.

The poor operative results are due to down trend in the Textile Industry from the beginning of the operated financial year which is mainly on the account of volatility in the cotton market, severe power cut, low production and un-remunerative sale prices. The operations of the company were not able to meet the interest cost. The delay in realization of sale proceeds of Ongole unit by 3 months has also added to the loss.

The Management is taking effective steps to cut the cost and improve production. The bankers have also been approached for restructuring the limit coupled with reduction in the rate of interest. With the package already announced by the Textile Ministry, we are sure that the company will turn around in the next year of operation.

TEXTILE INDUSTRY

Textiles is the oldest industry in the country and it is the most labour intensive industry. This sector gives

direct employment to 35 million people and indirect employment to 45 million people covering mostly women and rural poor. This industry contributes for the growth of the country in terms of job creation in rural areas, export earnings, besides meeting the basic needs of the people.

The capacity of the Industry is much more than the domestic requirements. The fall in exports due to recession in developed countries has resulted in poor price realization from the domestic market. The unprecedented huge price fluctuations of raw materials and demand recession for all Textile products have seriously affected and drove the industry to register huge losses during the year. Nearly 75% to 80% of the textile mills across the country have started incurring losses. For the period April, 2011 to December, 2011 the losses reported were to the extent of Rs.928 crores as against a profit of Rs.232 Crores registered during the same period last year.

In order to bail out the ailing industry the Spinning Mills Associations have approached the Textile Ministry pleading for reliefs. Recently the Government has agreed to provide some relief which includes :Debt Restructuring for Rs.35,000 Crores.RBI to relax conditions to avoid Textile units being classified as NPAs while opt for debt restructuring.Moratorium on payment of principal and interest on term loans



for a period of two years. Sanction of working capital term loan representing the uncovered portion in the cash credit loan account Interest relief.

The company is awaiting the directions from RBI to various banks for implementation of the scheme. In addition to this the Government of India has announced on 5th June, 2012 by means of annual supplement 2012-13. to Foreign Trade Policy 2009-14 wherein interim concessions/incentives have been extended to boost exports.

Production of cotton yarn and other yarns during the year 2011-12 stood at 4359 ml.kgs. and of which cotton yarn is at 3120 ml.kgs, Synthetic 779 ml.kgs and others 459 ml.kgs. For the Textile industry, the year 2011-12 is the worst year as it has suffered due to recession in Western Countries, Poor off take in domestic market, increased raw material prices, power shortage, Pollution problems etc.,.

With the reliefs that are going to be available from the Banks, now the industry is hoping to round around.

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.

Macroeconomic factors including rupee appreciation increase in interest rates 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 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. 1572.83 lakhs during the year 2011-2012 as Compared to Rs.2602.72 Lakhs in the previous year thereby registering a decline of 39.56% Which is due to global recession. The Company expects further growth in the exports in the fiscal year 2012-2013.

WIND MILL:

During the year under review, the 1.8 M.W Wind power Mill has generated 21, 67,219 units as against 20,50,800 units in the previous year.

GAS POWER PROJECT

The 3.2 M.W. Gas based power project of the Company has not generated power during the current year due to non-availability of Gas.

The company proposes to sell this unit during the current year 2011-2012 but the deal could not materialize, through the company got NOC from the bankers.

GARMENT DIVISION:

During the year the company sold the Garment Division. The company has made a net loss of Rs.215.48 Lakhs in this transaction.

ONGOLE UNIT

During the year the company has also sold the loss making Ongole unit for a sum of Rs.3400 Lakhs. Out of sale proceeds, the company has pre-paid the term loan taken for the project from Exim Bank and Syndicate Bank to the extent of Rs.1917 Lakhs, and the balance amount was utilized towards payment of principal and interest of other term loans cash credit account and meeting towards working capital requirements.

The company had made a profit of Rs.1165.63 lakhs out of the sale.



FIXED DEPOSITS:

The fixed Deposits outstanding as on 31.03.2012 amounted to Rs 659.87 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:

Mr. P. Govardhana Naidu, who was appointed as an additional director will be regularized at the ensuing annual general meeting.

Mr. Srinivas Kodali, Director has resigned from the Board of Directors of the Company w.e.f 10th February, 2012

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.Vasudev Chaturvedi Directors, 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, read with the Companies (Particulars of Employees) Rules 1975 as amended, 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 and 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: 10th November, 2012

Ramesh Bandari
Company Secretary

C.K. Rao
Executive Vice Chairman

Harish Cherukuri
Managing Director

**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. 41,23,226
- ii) Foreign Exchange Earned : Rs. 1572.83 Laksh

FORM - A**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:**

A. Power and Fuel Consumption:	2011-2012	2010-2011
1. Electricity :		
a) Purchased :		
Units (in lakhs of KWH)	335.12	538.55
Total amount (Rs.in lakhs)	1411.56	1897.32
Average Rate : (Rs./Unit)	4.21	3.52
b) Own Generation :		
i) Through Diesel Generators		
Units (in lakhs of KWH)	0.67	0.85
Units per Litre of Diesel Oil	2.04	2.34
Average Cost: Rs. /Unit	22.15	14.48
ii) Through Wind Mills		
Units generated (in lakhs KWH)	21.67	19.95
Value (Rs.lakhs)	89.78	84.33
Average Rate (Rs./Unit)	4.14	4.23
iii) Through Gas Power Project		
Units generated (in lakhs KWH)	-	-
Value (Rs.lakhs)	-	-
Average Rate (Rs./Units)	-	-
2. Coal (Quality : 'B,C & D' Round used in boiler for fiber/yarn dyeing)		
Quantity (Tons)	2543.71	2711.08
Total Amount (Rs. in lakhs)	132.95	101.12
Average Rate (Rs./Kg)	5.23	3.73
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)	—	81.82	134.25
Fibre/yarn Dyed (Kgs. in lakhs)	—	26.35	32.92
Electricity(Units/Kg of Yarn)	—	4.36	3.65
Electricity(Units/Piece)	—	-	0.96
Coal(Kgs/Kg of Dyed Fibre/yarn)	—	0.96	1.01

**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.

REPORT ON CORPORATE GOVERNANCE:**1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:**

Your Company firmly believes that good corporate practices underscore its drive towards competitive strength and sustained performance. These practices are also powerful tool for building trust and long term relation ship with stakeholders of the Company. Your Company's thrust on transparency, integrity, accountability and disclosure has enabled it to accomplish best Corporate Governance practices.

2. Board of Directors:**A).Composition**

The Board has Eight Directors Comprising Two Executive Directors and Six Non-Executive Independent Directors including nominee Directors and Additional Director. The non-executive Directors are eminent professionals drawn from amongst persons with experience in business, finance, research and industry.

The Board is composed as per clause 49 of listing agreement entered with the stock exchanges.

The Composition of the Board is as under:

Name of the Director	Category of Director	No. of other Directorships held (including Private Companies)	Attendance at Board meeting (No. of Board meetings)	Attendance at last AGM
Sri.Kowsalendra Rao Cherukuri	Executive Vice Chairman	1	5(5)	Attended
Mr. Harish Cherukuri	Managing Director	3	6(6)	Attended
Mr.K.Rama Mohana Rao	Independent Director	-	5(6)	Not Attended
Mr.Vasudev Chaturvedi	Independent Director	-	3(4)	Attended
Mr.D.Venkata Ratnam	Independent Director	-	4(4)	Attended
Mr.H.N.Vishweshwar	Nominee Director(Syndicate Bank)	1	4(6)	Not Attended
Mr.K.Uma Maheswaram	Nominee Director (Exim Bank)(1)*	-	6(6)	NotAttended
Mr.P.Govardhana Naidu	Additional Director (2)*	-	-	-
Mr.Srinivas Kodali	Executive Director (3)*	-	14(6)	Attended
Mr.David L Sinate	Nominee Director (Exim Bank)(4)*	-	-	-

Notes:

1. Mr.K.Uma Maheswaram(Ceased to be Exim Bank Nominee w.e.f.14.05.2012
2. Mr.P.Govardhana Naidu(Appointed as an additional Director w.e.f.10.02.2012
3. Mr.Srinivas Kodali(Ceased to be a Director w.e.f.10.02.2012
4. Mr. David L Sinate (Appointed as Exim Bank Nominee w.e.f.14.05.2012

B) BOARD MEETING:

The Board of Directors Met Six (6) times during the Financial year 2011-2012 on 11th May, 2011, 8th July, 2011, 02nd September, 2011, 29th September, 2011, 14th November, 2011 and 10th February, 2012

BOARD COMMITTEES:

The Board of Directors has constituted Three Committees of the Board:

Audit Committee:

The Committee comprises of Four non-Executive independent Directors and Managing Director. The Committee has powers similar to those stated in the listing agreement and shall exercise most of the functions as per the terms of reference in line with the requirements of the listing agreement.