

**KANDAGIRI SPINNING MILLS LIMITED**

**35th Annual Report**

**2010 - 2011**

Registered Office : Mill Premises, Post Box No.3,  
Udayapatti, Salem - 636 140



## CONTENTS

	Page No.
Corporate Information	1
Directors' Report	2
Corporate Governance Report	10
Auditor's Report	16
Balance Sheet	18
Profit and Loss Account	19
Cash Flow Statement	20
Schedules to Balance Sheet	22
Schedules to Profit and Loss Account	24
Notes to Accounts	27

## Financial Highlights

Rupees lakhs

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
1 Fixed assets	12569.83	13201.00	13887.99	11670.22	8636.44	7444.76
2 Net current assets	7381.76	4156.33	2742.55	2824.75	2999.21	2146.47
3 Total capital employed	20204.59	17617.96	16938.74	14834.82	12012.75	10002.77
4 Shareholders' funds	5429.38	4719.44	4425.60	2391.63	2034.92	1920.60
5 No. of shares	38,49,250	38,49,250	38,49,250	38,49,250	38,49,250	38,49,250
6 Net worth per share (Rs.)	141	123	115	62	53	50
7 Turnover – gross	15469.57	10750.66	8726.68	8327.25	8887.82	7582.15
8 Turnover – net	15187.47	10564.21	8584.97	8219.70	8762.85	7440.12
9 Gross profit – PBDIT	3172.08	2143.04	1242.59	1937.39	2165.76	1731.33
10 Profit/(loss) before tax-PBT	1404.03	448.69	(384.67)	700.57	724.69	607.78
11 Profit/(loss) after tax – PAT	926.03	333.69	(266.32)	457.57	470.19	432.78
12 Retained earnings	1530.98	1112.96	462.80	950.19	1173.51	932.26
13 Dividend	* 40	—	—	20	50	50
14 Earnings per share –(Rs.) - Basic	24.06	8.67	(6.92)	11.89	12.22	11.24
15 Installed capacity – Spindles - Rotors	67,388 —	67,388 552	67,388 552	56,588 552	54,188 552	49,388 384

Note: Net worth per share in 2008-09, 2009-10 and 2010-11 is after reckoning revaluation surplus.

\* For the year 2010-11, Interim Dividend 20% &amp; Final Dividend 20%

## Thirty Fifth Annual Report



**Board of Directors** R. Selvarajan – Chairman and Managing Director  
S. Vijay Shankar – Joint Managing Director  
S. Devarajan  
M. Rajamani  
V. Mahadevan  
P. S. Ananthanarayanan  
V. Gopalan  
N. Asoka

**Statutory Auditors** M.S. Krishnaswami & Rajan

**Cost Auditors** S. Mahadevan & Co

**Bankers** State Bank of India  
Karnataka Bank Limited  
Axis Bank Limited

**Registered Office** Post Box No.3, Mill Premises, Udayapatti P.O.  
Salem 636 140. Tamil Nadu

**Spinning Plants**

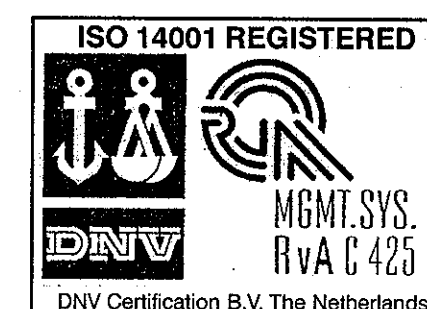
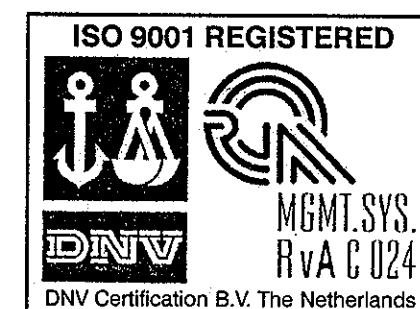
Unit I	Unit II	Unit III
Udayapatti P.O., Salem 636 140. Tamil Nadu.	Seshanchavadi P.O. Salem 636 111. Tamil Nadu.	M. Perumapalayam Cross Road Mettupatty P.O., Salem 636 111. Tamil Nadu.

**Wind Energy Converters** Panangudi, Pazhavor, Udhayathoor and Parameshwarapuram  
Villages, Radhapuram Taluk, Tirunelveli District, Tamil Nadu

Melamaruthappapuram Village, Veerakeralam Pudur Taluk  
Tirunelveli District, Tamil Nadu.

Gudimangalam Village, Udumalpet Taluk,  
Coimbatore District, Tamil Nadu.

## Certification



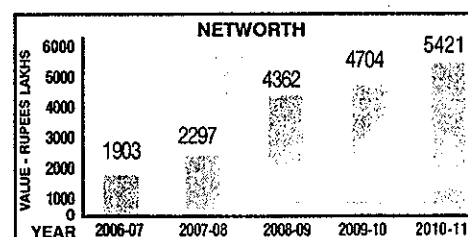
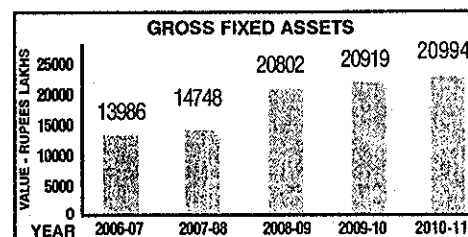
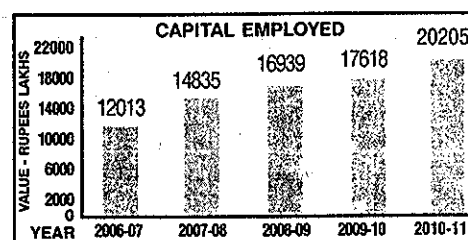
## Thirty Fifth Annual Report

**DIRECTORS' REPORT**

Your directors have pleasure in submitting their 35th Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2011 (the year).

**Financial Results**

	2010-11	2009-10
	(Rupees lakhs)	
Gross sales/Income from operations		
Export - Direct	288	623
- Merchandise	5903	3526
	6191	4149
Domestic	9279	6599
Conversion charges earned	-	3
	15470	10751
Less sales tax and cess recovery	282	187
Net sales/Income from operations	15188	10564
Gross profit (ie. profit before interest and depreciation)	3172	2143
Cash profit (ie. profit before depreciation)	2188	1228
Profit before tax	1404	449
Profit after tax	926	334
Earnings per share – Basic Rs.	24.06	8.67

**Dividend**

Board of Directors of your Company declared an interim dividend of Rs.2 per equity share of Rs.10 each at the Board Meeting held on January 29, 2011. Further your directors are pleased to recommend a final dividend of Rs.2 per equity share of Rs.10 each. The interim and the proposed final dividend will entail a cash outflow of Rs. 1,79,24,514/-.

**Operating and Financial Performance**

Your Company has had very steady performance in 2009-10. This year's annual results has shown growth in turnover of over 44% driven by strong domestic and merchandise export market for yarn compared to previous year's growth of 20%. Despite the steady increase in cotton price, yarn selling prices also increased correspondingly. On account of timely purchase of cotton, supported by good demand for yarn in the domestic and merchandise export market, your Company could achieve an operating profit of Rs.3172 lakhs for the year with an increase of 48% over previous year and profit before tax of Rs.1404 lakhs with an increase of 212%. Your Company's decision to buy power from third party has reduced the power cost (net) by almost 1%.

Your Company's Wind Energy Converters (WEC) generated power of the value of Rs.787 lakhs as against Rs.772 lakhs in the previous year.

**Management discussion and analysis**

Core business of your Company is manufacture and sale of cotton yarn. The management discussion and analysis given below discusses the key issues of the cotton yarn spinning sector.

**(a) Industry performance**

Indian economy in general is on a steady growth mode and has shown more resilience than some of the other developed economies around the world. Yarn production in India has been steady. Yarn prices registered increase during the year due to increased demand from domestic and international markets. Fiscal and other initiatives taken by the Government of India have eased the pressures in the economy leading to revival of textile industry. However raw material cost continued to remain high and continuance of power cut and restrictions on power supply during peak hour affected the performance of textile industry in Tamilnadu.

**(b) Outlook**

Even though cotton price is highly volatile and speculative at present, your directors are of opinion that it would stabilize in the coming months. The domestic and international markets were not encouraging in the first quarter of 2011-12. Divergent interests of different sectors of the textile industry need to be properly balanced and timely intervention by Central Government to ensure that is necessary. Barring unforeseen circumstances, your directors are confident that during the current financial year also your Company will be in a position to maintain its productivity and profitability at an improved level.

**(c) Strategies and Future plans**

As part of future plan, your directors are exploring the possibilities to take up modernization of spinning unit I and manufacture of value added yarn like slub yarn, provided the prevailing situation continues to improve. Your Company is also actively examining the possibility of entering non-woven textiles market. Plans are afoot to intensify efforts in the area of Research and Development and towards this end, a new team of young in house technocrats has been formed and these efforts are expected to result in various measures like cost reduction and new product development in the near future.

**(d) Internal control and systems**

Your Company has in place well established internal control procedures covering various areas such as procurement of raw materials, production planning, quality control, maintenance planning, marketing, cost control and debt servicing. Necessary checks and balances have been instituted for timely correction.

**(e) Human Resources Management**

Employees are your Company's most valuable resource. Your Company continues to create a favourable environment at work place. Your Company has various welfare measures both government sponsored and privately envisaged. The Company also recognises the importance of training and consequently deputed its work force to various work related courses/seminars including important issues like Total Quality Management (TQM). Because of these, your Company is able to attract and retain well trained and dedicated workforce. The fact that the relationship with the employees continued to be cordial is testimony to the Company's ability to retain high quality workforce. In view of the aforesaid relationship no man days were lost during the year under report.

**(f) Corporate Social Responsibility**

Your Company's main activity may be centered around making quality yarn but its concerns reach out beyond the above stated business, to the welfare of your Company's employees and to the society at large to which your Company owes its growth. With this initiative, your Company has been imparting comprehensive training to the new entrants to the Company's fold, simultaneously continuing technical education to the existing staff and workforce. Your Company, along with your group's associate Company Sambandam Spinning Mills Limited, is collaborating with two multi speciality hospitals in Salem which, apart from rendering medical service to your Company's employees and their families are also offering medical relief to the public at large at subsidized rates. Besides your Company has been taking care of the food requirements of The Tamilnadu Association for the Blind School, Ayothiyapattinam, Salem District.

**(g) Cautionary note**

Statements in the Directors' report and the management discussion and analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results might differ materially from those either expressed or implied in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other related factors such as litigation and industrial relations.

**Homage to Founder Director**

Your directors note with deep regret the sad demise of Sri S.P. Ratnam, founder director and chairman Emeritus of the Company. Your directors place on record their deep sense of appreciation for the valuable services rendered by him to the Company during the tenure of his office.

**Directors**

Sri S. Devarajan retires by rotation and is eligible for reappointment. Sri M. Rajamani also retires by rotation but he expressed his unwillingness to be reappointed due to his other preoccupations. Board records its appreciation for the valuable services rendered by him to the Company during the tenure of his office.

Your Company's Code of Conduct applicable to the board has been adopted by the board and all the directors of the Company have confirmed compliance with the Code of Conduct.

**Auditors**

The auditors, M/s. M.S. Krishnaswami & Rajan, Chartered Accountants, retire at the ensuing annual general meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

**Annexure**

Annexure to this report details Statement on directors' responsibility, conservation of energy, technology absorption, Research and Development and foreign exchange earnings and outgo.

**Compliance Certificate u/s 383A**

Compliance Certificate pursuant to Section 383A of the Companies Act, 1956 obtained from M/s.B.K.Sundaram Associates, Practising Company Secretaries, Tiruchirapalli, is also annexed to this report.

**Appreciation**

Directors of your Company record their sincere appreciation of the dedication and commitment of all employees in achieving and sustaining excellence in all areas of the business. Your directors thank the Shareholders, Customers, Suppliers and Bankers and other stakeholders for their continued support during the year. Your Company's consistent growth has been made possible by the hard work, solidarity, cooperation and support of the management team.

Directors of your Company thank State Bank of India, Karnataka Bank Limited and Axis Bank Limited, Government of Tamil Nadu and other government agencies for their support, and look forward to their continued support in future.

Salem  
May 23, 2011

For and on behalf of the Board  
**R. Selvarajan**  
Chairman and Managing Director

**Annexure to Directors' Report****(i) Directors' Responsibility Statement as per section 217(2AA) of the Companies Act, 1956****Responsibility in relation to financial statements**

The financial statements have been prepared in conformity, in all material respects, with the applicable Accounting Standards in a consistent manner and supported by reasonable and prudent judgments and estimates. The Directors believe that the financial statements reflect true and fair view of the financial position as on 31.3.2011 and of the results of operations for the year ended 31.3.2011.

The financial statements have been audited by M/s M.S. Krishnaswami & Rajan, Chartered Accountants in accordance with generally accepted auditing standards, which include an assessment of the systems of internal controls and tests of transactions to the extent considered necessary by them to support their opinion.

**Going Concern**

In the opinion of the Directors, the Company will be in a position to carry on its existing spinning of yarn business and accordingly it is considered appropriate to prepare the financial statements on the basis of going concern.

**Maintenance of accounting records and Internal controls**

The Company has taken proper and sufficient care for maintenance of adequate accounting records as required by various Statutes.

Directors have overall responsibility for the Company's internal control system, which is designed to provide a reasonable assurance for safeguarding of assets, reliability of financial records and for preventing and detecting fraud and other irregularities.

The system of internal control is monitored by the internal audit function, which encompasses the examination and evaluation of the adequacy and effectiveness of the system of internal control and quality of performance in carrying out assigned responsibilities. Internal Audit Department interacts with all levels of management and the Statutory Auditors, and reports significant issues to the Audit Committee of the Board.

Audit Committee supervises the financial reporting process through review of accounting and reporting practices, financial and accounting controls and financial statements. Audit Committee also periodically interacts with internal and statutory auditors to ensure quality and veracity of Company's accounts.

Internal Auditors, Audit Committee and Statutory Auditors have full and free access to all the information and records as considered necessary to carry out their responsibilities. All the issues raised by them have been suitably acted upon and followed up.

**(ii) Conservation of energy, technology absorption and research and development and foreign exchange earnings and outgo****A. Conservation of energy****(a) Power and fuel consumption****1. Electricity**

		2010-11	2009-10
(i) Purchased units*	'000 KWH	1,44,49	1,03,28
Total cost	Rs. lakhs	873	670
Cost/unit	Rs.	6.04	6.49

\*net of units generated thro' Wind Energy Converters

**(ii) Own generation****1) Through Diesel Generator**

Generated units	'000 KWH	39,64	45,42
Units per litre of diesel	KWH	3.30	3.30
Cost/unit	Rs.	10.97	10.52



Annexure to Directors' Report (contd.)		2010-11	2009-10
2) Through Steam Turbine/Generator		—	—
3) Through Wind Energy Converters			
Generated units (fed to TNEB Grid)	'000 KWH	1,94,94	2,10,02
Cost/unit*	Rs.	2.66	2.42
*Cost includes maintenance charges, interest and depreciation			
2. Coal		—	—
3. Furnace oil		—	—
4. Others		—	—
(b) Consumption per unit of production			
Production (yarn)	Kgs. lakhs	69.30	66.04
Consumption of electricity	'000 KWH	3,79,07	3,58,72
Consumption per kg. of Yarn	KWH	5.47	5.43
B. Technology Absorption and Research and Development		—	—
C. Foreign Exchange Earnings and Outgo			
(a) Activities relating to exports			
Yarn exports (including merchandise exports)	Rs. lakhs	6192.27	4148.24
(b) Total Foreign Exchange used and earned			
1) CIF value of Imports			
Spares for Capital goods*	Rs. lakhs	25.29	6.36
Raw materials (cotton)*	Rs. lakhs	197.91	791.82
*exclusive of net exchange difference			
2) Other expenditure in foreign currency			
Interest	Rs. lakhs	54.15	39.67
Other matters	Rs. lakhs	5.34	5.37
3) Foreign exchange earned			
Yarn export	Rs. lakhs	295.11	628.79
(iii) Particulars of employees – information pursuant to Section 217(2A) of the Companies Act, 1956			
A. Employed throughout the year and in receipt of remuneration aggregating to Rs.60,00,000 or more - Nil			
B. Employed for part of the year and in receipt of remuneration of Rs. 5,00,000 or more per month - NIL			
Note : Remuneration includes salary and value of perquisites, nature of employment being contractual.			
Salem, May 23, 2011		For and on behalf of the Board R. Selvarajan Chairman and Managing Director	
(iv) Code of Conduct for the Senior Management			
As required under Clause 49(1)(D) of the Listing Agreements with the Stock Exchanges, I hereby declare that all the Board members and senior management personnel of the Company have complied with the Code of Conduct of the Company for the year ended March 31, 2011.			
Salem, May 23, 2011		R. Selvarajan Chairman and Managing Director	



## Annexure to Directors' Report (contd.)

**B.K.SUNDARAM & ASSOCIATES**  
**COMPANY SECRETARIES.**  
**B.KALYANASUNDARAM,**  
**B.Com.,AICWA.,ACS.,**

**OFFICE:**  
**30,PANDAMANGALAM AGRAHARAM,**  
**WORIUR,TRICHY-620003.**  
**PHONE:0431-2761590.**

To  
The Members,  
M/S KANDAGIRI SPINNING MILLS LIMITED

Sub: Compliance Certificate.

Ref: M/S KANDAGIRI SPINNING MILLS LIMITED Company Regn. No.: 181- 000762.

\*\*\*\*\*

We have examined the registers, records, books and papers of the above said Company as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2011. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

- The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
- The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities under the Act and the Rules made there under.
- The Company being a Public Limited Company has the minimum prescribed paid-up capital.
- The Board of Directors duly met 4 (FOUR) times on 29/05/2010, 12/08/2010, 30/10/2010 and 29/01/2011 in respect of which meetings proper notices were given and the proceedings were duly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
- The Company has closed its Register of Members from 30/07/2010 to 12/08/2010 (both days inclusive) during the year under scrutiny.
- The Annual General Meeting for the financial year ended on 31st March 2010 was held on 12/08/2010 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
- No Extra-Ordinary General Meeting was held during the financial year under scrutiny.
- The Company has not advanced loans to its directors and/or persons or firms or Companies referred in the section 295 of the Act during the year under scrutiny.
- The Company has duly complied with the provisions of section 297 of the Act in respect of the contracts specified in that section.
- The Company has made necessary entries in the register maintained under Section 301 of the Act.
- The Company did not attract the provisions of Section 314 of the Act during the year under scrutiny.
- The duly constituted committee of Directors has approved the issue of duplicate share certificates during the year under scrutiny.
- (i) There was no allotment of shares /securities. The Company has delivered all the certificates on lodgment thereof for transfer/ transmission or any other purpose in accordance with the provisions of the Act.  
(ii) The Company has opened a separate Bank Account with Axis Bank Limited, Salem on 03/02/2011 and deposited a sum of Rs.76,98,500/-being the amount of interim dividend declared on 29.01.2011.  
(iii) The Company has issued warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and the amount of unclaimed/unpaid dividend remaining in a separate Account with Axis Bank Limited, Salem, as on 31.03.2011 was Rs. 2,71,048/-





- (iv) The Company has transferred Rs.2,10,350/-in unpaid dividend account which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund by filing Form No.1-INV under SRN A95761128 dt.11-10-2010.
- (v) The Company has complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and there were no new appointments of Directors, Additional Directors, Alternate Directors and Directors to fill casual vacancies during the year under scrutiny.
15. There was no appointment of Managing Director/Whole-time Director during the year under scrutiny.
16. The Company has no sole-selling agents.
17. The Company has obtained approval from the Regional Director pursuant to Section 297(1) of the Companies Act, 1956 in respect of the contracts with M/s Sambandam Siva Textiles Private Limited and M/s K.R.Manicka Mudaliar & Sons [Order No.F. No.2/M 8456/2002 dt. 8-2-2011]. The Company had filed an application with the Honourable Company Law Board seeking compounding orders in respect of transactions entered into with the concerns attracting Sec. 297 covering the period 25-07-2006 to 15-11-2007 and the orders of the CLB are awaited.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has issued NIL shares during the financial year under Scrutiny.
20. The Company has bought back NIL shares during the financial year under Scrutiny.
21. The Company has redeemed NIL preference shares/debentures during the year under scrutiny.
22. The Company had no occasion to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares in compliance with the provisions of the Act.
23. The Company has complied with the provisions of Section 58A and 58AA read with Companies (Acceptance of Deposit) Rules, 1975 / the applicable directions issued by the Reserve Bank of India/ any other authority in respect of deposits accepted including unsecured Loans during the year under scrutiny attracting the provisions of sections 58A and 58AA read with Companies (Acceptance of Deposit) Rules, 1975 / the applicable directions issued by the Reserve Bank of India / any other authority.
24. The amount borrowed by the Company from directors, members, Public, Financial Institutions, Banks and others during the financial year ended 31-3-2011 was within the borrowing limit of Rs.300 Crores, approved by the Shareholders pursuant to Sec.293(1)(d) of the Act at the duly convened AGM held on 06/07/2007.
25. The Company has not made Loans and Investments or given guarantees or provided securities to other Bodies Corporate during the year under scrutiny.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association of the Company during the year under scrutiny.
31. No prosecution was initiated against or show cause notices received by the Company for alleged offences under the Act and No fines and penalties or any other punishment were imposed on the Company during the year under scrutiny.
32. The Company has received Rs. NIL as security from its employees during the year under scrutiny.
33. The Company does not attract the provisions of Section 418 of the Companies Act, 1956.

Sd/-

Place : TRICHY - 3.

Date : 23.05.2011

Name of Company Secretary : B.KALYANASUNDARAM  
C. P. No. : 2209

Thirty Fifth Annual Report

8

**Annexure A****Registers as maintained by the Company**

1. REGISTER OF MEMBERS U/S 150.
2. BOARD MEETING MINUTES BOOK U/S 193 AND ATTENDANCE.
3. SHAREHOLDERS' MEETING MINUTES BOOK U/S 193 AND ATTENDANCE.
4. REGISTER OF DIRECTORS, MANAGING DIRECTOR & SECRETARY U/S 303.
5. REGISTER OF CHARGES U/S 143
6. REGISTER OF DIRECTORS' DISCLOSURE U/S 301.
7. REGISTER OF DIRECTORS' SHARE HOLDINGS U/S 307.
8. REGISTER OF LOANS AND INVESTMENTS [U/S 372A]
9. BOOKS OF ACCOUNTS.

**Annexure B****Forms and Returns as filed by the Company with the Ministry of Corporate Affairs:**

FORM NO	FINANCIAL YEAR / DATE OF EVENT	CHALLAN NO	DATE	FEES PAID (Rs.)
23-C	2010-11	A84245588	03-05-2010	2000
17	08-06-2010	A87016176	14-06-2010	500
62	31-03-2010	A88063375	29-06-2010	500
62-SLA	2010-11	A91307108	12-08-2010	500
66	31-03-2010	P49806904	19-08-2010	500
23AC	31-03-2010	P51951911	07-09-2010	500
Form CAR		A94116068	16-09-2010	NIL
61	2010-11	A95164760	01-10-2010	NIL
20-B	31-03-2010	P53750659	06-10-2010	500
17	07-10-2010	A96080775	15-10-2010	500
24-A	2010-11	A98248602	16-11-2010	2000
24-A	2010-11	B00835850	16-12-2010	2000
1 INV	2010-11	B00906057	17-12-2010	NIL
8	03-02-2011	B06278956	23-02-2011	500
8	09-03-2011	B09045204	31-03-2011	500

Sd/-

Place : TRICHY - 3.

Date : 23.05.2011

Name of Company Secretary : B.KALYANASUNDARAM  
C. P. No. : 2209

Thirty Fifth Annual Report

9

**Annexure to Directors' Report contd.****CORPORATE GOVERNANCE REPORT – Annexure to Directors' Report****1 Our Company's philosophy on Corporate Governance**

Our Company's philosophy on Corporate Governance is delineated below:

- Effectiveness measured by the quality of its leadership resulting in the best performance
- Accountability through openness, public disclosure and transparency of activities.
- Conforming to high ethical standards in financial policies, internal controls, constant attention towards high quality of its products and continuous upgrading of skill.
- Responsibility and responsiveness to stakeholders including shareholders, customers, employees, lenders and government agencies.
- Sustaining a healthy and ever improving bottom line.
- Upholding the spirit of social responsibility and
- Create a management team with entrepreneurial and professional skills

**2. Board of directors**

The eight member Board of Directors consists of an executive Chairman and Managing Director, four independent Directors, one executive Director and two non-executive Directors. Details of the composition and attendance of the Board and the Committees thereof and the shares of the Company held by them are given separately in this Report. Personal information about directors being reappointed is mentioned in the Directors' Report and in the Notice convening the Annual General Meeting.

None of the Directors on the Board is a member of more than ten Committees and Chairman of more than five Committees (as specified in Clause 49(1)(C) of the Listing Agreement with the Stock Exchanges) across all Companies in India of which he is a Director. All the Directors have certified that the disqualifications mentioned under Section 274(1)(g) of the Companies Act, 1956 do not apply to them.

Non-executive Directors are entitled to sitting fees for every meeting of the Board or of the Committee thereof attended by them. Executive directors including the Chairman and Managing Director, are entitled to remuneration as per their terms of appointment and the details of such remuneration received by them are given separately in this Report.

**Code of Conduct**

Code of Conduct laid down by the Company is applicable to the Board of Directors and all the employees of the Company. This Code of Conduct emphasizes the Company's commitment to compliance with highest standards of legal and ethical behavior. All the Directors and the senior management have adhered to the Code of Conduct of the Company during the year and have signed declarations of compliance to the Code of Conduct. Declaration signed by Sri R. Selvarajan, Chairman and Managing Director is given separately in the Annual Report.



Directorship held by existing Directors and shares of the Company held by them as on March 31, 2011 are given below:

Name of Director	Number of other Companies' Directorship	Number of other Companies' Committees of which member*	Number of shares of the Company held as on 31.03.2011
Sri R. Selvarajan Chairman and Managing Director	5	-	7,78,330
Sri S. Vijay Shankar Joint Managing Director	1	-	4,09,582
Sri S. Devarajan	6	1	92,227
Sri M. Rajamani	1	-	87,647
Sri P.S. Ananthanarayanan	1	1	Nil
Sri V. Mahadevan	2	2	Nil
Sri V. Gopalan	2	1	Nil
Sri N. Asoka	2	2	Nil

\*Only Audit Committee, Share Transfer Committee and Investor Grievance Committee are considered as per Clause 49(1)(C) of the Listing Agreement with Stock Exchanges.

**Audit Committee**

Audit Committee presently consists of four non-executive independent Directors and one non-executive director. Sri V. Gopalan, an independent Director, is the Chairman of the Audit Committee. Sri V. Mahadevan, Sri P.S. Ananthanarayanan and Sri N. Asoka, independent directors and Sri S. Devarajan, non-executive director, are members of the Audit Committee. Chairman and Managing Director, Internal Auditor, Statutory Auditors and Cost Auditors are invitees to Audit Committee meetings. Terms of reference of the Audit Committee cover all the areas mentioned under Clause 49 of the Listing Agreement with the Stock Exchanges and in Section 292A of the Companies Act, 1956, besides other terms as may be referred to it by the Board of Directors. Broad terms of reference of the Audit Committee are to review financial reporting process, all financial results, statements and disclosures and recommendation of the same to the Board, review of internal audit reports and internal control systems and procedures and discuss the same with the internal auditors, to meet the statutory auditors and discuss their findings, their scope of audit, audit qualifications, if any, review of related party transactions, compliance with the listing agreements and other legal requirements, Company's financial and risk management policies and compliance with statutory requirements. Sri G. Chennakesavan, Chartered Accountant, is the internal auditor of the company. He conducts internal audit and reports directly to the Audit Committee of the Board.

**Share Transfer Committee**

Share Transfer Committee has been constituted to specifically look into share transfers. Share transfers are effected by the Registrar and Transfer Agent (RTA) Cameo Corporate Services Limited, Chennai, on the authorisation given by the Board. Transfers/transmissions effected by the Registrar are submitted to the Share Transfer Committee for confirmation. Sri R. Selvarajan, Chairman and Managing Director, chairs the meetings of the Committee. Sri S. Vijay Shankar, executive Director and Sri S. Devarajan, non-executive Director, are members of this Committee. Sri S. Vijay Shankar is the Compliance Officer. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings.

**Investor Grievance Committee**

Investor Grievance Committee has been constituted to specifically look into redressal of investors' complaints. This committee looks into investor relations/grievances on a periodical basis. Sri N. Asoka, non-executive independent Director, chairs the meetings of the Committee. Sri S. Vijay Shankar, executive Director and Sri M. Rajamani, non-executive Director, are members of this Committee. Sri S. Vijay Shankar, executive director, is the Compliance Officer. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings. During the year no complaints were received from investors and 119 request letters were received on routine matters and all these were dealt with satisfactorily.

**Finance Committee**

Finance Committee has been constituted to consider borrowings and deployment of funds. Sri R. Selvarajan, Chairman and Managing Director, Chairs the meetings of this Committee. Sri S. Vijay Shankar, executive Director and Sri S. Devarajan, non-executive director, are members of this Committee. Sri S. Vijay Shankar, executive director, is the Compliance Officer. Minutes of this Committee meetings are circulated to all Directors and discussed at the Board meetings.

**Remuneration Committee**

Remuneration Committee has been constituted to consider remuneration and other benefits to the executive directors. This Committee consists of three non-executive independent Directors, namely Sri P.S. Ananthanarayanan, Sri V. Gopalan and Sri N. Asoka. Sri P.S. Ananthanarayanan chairs the meetings of this Committee. Sri S. Vijay Shankar, executive director, is the Compliance Officer. Minutes of this Committee meetings are circulated to all Directors and discussed at the Board meetings.

**3. Attendance of Directors**

Remuneration and attendance of Directors at the meetings of the Board or the Committee thereof during the year ended March 31, 2011 are as under:

Name of Director	Board Meetings	Audit Committee Meetings	Share Transfer Committee Meetings	Investor Grievance Committee Meetings	AGM held on 12th August, 2010	Directors Sitting Fees Rs.	Directors Remuneration Rs.
Sri R. Selvarajan Chairman and Managing Director	4	–	4	–	1	–	36,00,000
Sri S. Vijay Shankar Joint Managing Director	4	–	4	4	1	–	24,00,000
Sri S. Devarajan	4	5	4	–	1	97,500	–
Sri M. Rajamani	4	–	–	4	1	17,500	–
Sri P.S. Ananthanarayanan	4	5	–	–	1	97,500	–
Sri V. Mahadevan	4	5	–	–	1	97,500	–
Sri V. Gopalan	4	5	–	–	1	97,500	–
Sri N. Asoka	3	4	–	3	1	67,500	–

Note : Four Board meetings were held during the year on May 29, 2010, August 12, 2010, October 30, 2010 and January 29, 2011. Five Audit Committee meetings were held during the year on April 16, 2010, May 28, 2010, August 11, 2010, October 29, 2010, and January 28, 2011. Share Transfer Committee meetings and Investors Grievance Committee meetings were held on May 29, 2010, August 12, 2010, October 30, 2010 and January 29, 2011.

**4 General Shareholder Information**

- A** The 35th Annual General Meeting of the Company will be held on August 12, 2011 at 11.30 a.m. at the mill premises of Sambandam Spinning Mills Limited in Kamaraj Nagar Colony, Salem 636 014. The previous three Annual General Meetings were held on the following dates:

Year	Date	Time	Venue
2008	27-09-2008	11.30 a.m.	Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem 636 014.
2009	23-09-2009	11.45 a.m.	Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem 636 014.
2010	12-08-2010	11.45 a.m.	Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem 636 014.

Two Special Resolutions were passed at the Annual General Meetings held on September 27, 2008 and also on September 23, 2009 to approve the payment of remuneration to the Chairman and Managing Director and the Joint Managing Director of the Company.

No extra-ordinary general meeting of the members was convened during the aforesaid three years and no special resolution was put through postal ballot last year and the Company does not propose to pass any special resolution through postal ballot process during this year.

**B Book Closure Period**

The Book Closure period is July 28, 2011 to August 12, 2011 (both days inclusive).

**C Financial Calendar for year 2011-12**

Board Meetings to be held in 2011-12 : August 2011, October/November 2011, January/February 2012 and May 2012

Annual General Meeting : AGM will be held in August/September, 2012

**D Listing on Stock Exchanges**

Annual Listing Fee has been paid and all requirements, including submission of quarterly reports and certificates to the stock exchanges, where the shares of the Company are listed, have been duly complied with. Shares of the Company are listed with the Bombay Stock Exchange Limited (Stock Code : 521242) and the Madras Stock Exchange Limited. Company's shares are also traded in the National Stock Exchange of India.

For Dematerialisation of shares, the ISIN No. allotted to the Company is INE292D01019. Shares of the Company are available for trading in the depository system of both the National Securities Depository Limited (NSDL) and the Central Depository Services Limited (CDSL). So far 68.38% shares of the Company are in dematerialised form.

**E Registrar and transfer agents**

Share management work, both physical and demat, is being handled by the Registrar and Share Transfer Agents of the Company whose name and address is given below:

Cameo Corporate Services Limited Phone : 044-28460390 (5 lines)  
Subramanian Building Fax No.: 044-28460129  
No. 1 Club house Road,  
Chennai 600 002. e-mail : [investor@cameoindia.com](mailto:investor@cameoindia.com)



**F Market Price (BSE) during the Period April 1, 2010 to March 31, 2011**

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
April 10	91.70	72.50	October 10	129.00	97.60
May 10	92.90	72.80	November 10	134.90	105.00
June 10	96.90	68.50	December 10	128.20	98.00
July 10	98.00	76.50	January 11	121.00	101.70
August 10	120.00	90.25	February 11	106.95	88.05
September 10	119.80	94.00	March 11	118.00	88.50

**G Means of communication**

The annual, half-yearly and quarterly results are regularly published in the English and vernacular national newspapers and are also posted on the Company's website at [www.kandagirimills.com](http://www.kandagirimills.com). These are also sent to the stock exchanges concerned in accordance with the listing agreement. Further all communication regarding share transactions, change of address, nominations etc. should be addressed to the Registrars and Share Transfer Agents of the company or to the Company at the following address:

Kandagiri Spinning Mills Limited Phone : 0427-2244400  
Post Box No.3, Udayapatti P.O. Fax no.:0427-2244422  
Salem 636 140. e-mail : [sales@kandagirimills.com](mailto:sales@kandagirimills.com)

**H Distribution of shareholding as on March 31, 2011**

Shares held	Shareholders	%	No. of shares	%
1 – 5000	3271	98.23	6,22,631	16.17
5001 – 10000	15	0.45	1,13,859	2.96
10001 and above	44	1.32	31,12,760	80.87
Total	3330	100.00	38,49,250	100.00

**I Shareholding pattern as on March 31, 2011**

Category	No. of shares held	%
Indian Promoters	26,90,172	69.89
Financial Institutions	—	—
Bodies Corporate	1,65,311	4.30
Non Resident Indians	1,215	0.03
Indian Public	9,92,279	25.77
Clearing member	273	0.01
Total	38,49,250	100.00

**J Pledge of shares**

No pledge has been created over the equity shares held by the Promoters as on March 31, 2011.

**K Disclosures**

- Details of transactions with related parties as specified in Accounting Standards issued under section 211(3) of the Companies Act, 1956 are reported in the Notes to the Accounts. There is no transaction of a material nature with any of the related party, which is in conflict with the interests of the company.
- There was no non-compliance, penalties or strictures imposed on the Company by any Stock exchange, SEBI, or any other statutory authority on any matters relating to capital market during the last three years.
- The Management Discussion and Analysis Report forms a part of the Directors' Report.
- The Company does not have any subsidiary.
- There have been no public issues, rights issues or other public offerings during the past five years.
- Plant locations of the Company are given below:

**Spinning Mills**

Unit – I Udayapatti P.O., Salem 636 140. Tamil Nadu.

Unit – II Seshanchavadi P.O., Salem 636 111. Tamil Nadu.

Unit – III M. Perumapalayam Cross Road, Mettupatti P.O., Salem 636 111. Tamil Nadu.

**Wind Energy Converters**

Panangudi, Pazhavoor, Udhayathoor and Parameshwarapuram villages, Radhapuram Taluk, Tirunelveli District, Tamil Nadu.

Melamaruthappapuram Village, Veerakeralam Pudur Taluk, Tirunelveli District, Tamil Nadu.

Gudimangalam Village, Udumalpet Taluk, Coimbatore District, Tamil Nadu.

**Auditors' certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreements****To the Members of Kandagiri Spinning Mills Limited**

- We have examined the compliance with the conditions of Corporate Governance by Kandagiri Spinning Mills Limited (the Company) for the year ended March 31, 2011 as stipulated in clause 49 of the listing agreements of the said Company with the stock exchanges in India, with the relevant records and documents maintained by the Company and furnished to us and report on Corporate Governance as approved by the Board of Directors.
- The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to procedures and implementation thereof, adopted by the Company for ensuring the said compliance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
- Based on the aforesaid examination and according to the information and explanations given to us, we certify that the Company has complied with the said conditions of Corporate Governance as stipulated in the above mentioned listing agreements.
- We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Registration No.01554S  
**M.K. Rajan-Partner**  
Membership No.4059

Salem  
May 23, 2011

**Auditors' Report to the Members**

1. We have audited the attached Balance Sheet of **Kandagiri Spinning Mills Limited** as at March 31, 2011 and the Profit and loss Account and the Cash flow statement (financial statements) for the year ended on that date (the year), annexed thereto, signed by us under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing and assurance standards generally accepted in India. The said Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
4. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books.
5. The financial statements dealt with by this report are in agreement with the books of account.
6. In our opinion, the aforesaid financial statements comply in all material respects with the applicable Accounting Standards referred to in section 211(3C) of the Companies Act, 1956 (the Act).
7. On the basis of written representation received from the directors as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is prima facie disqualified as on March 31, 2011 from being appointed as a director in terms of section 274(1)(g) of the Act.
8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements read with the Statement on Significant Accounting Policies and Notes to the Accounts, give the information required by the Act, in the manner so required and also give a true and fair view, in conformity with the accounting principles generally accepted in India:
  - 8.1 in the case of the Balance sheet, of the state of affairs of the Company as at March 31, 2011;
  - 8.2 in the case of the Profit and loss account, of the profit for the year ended on that date; and
  - 8.3 in the case of the Cash flow statement, of the cash flows for the year ended on that date.
9. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Government of India in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report that :
  - 9.1 In our opinion, the Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. These fixed assets are being physically verified by the management under a phased programme of verification, which in our opinion, is reasonable having regard to the nature and value of its fixed assets, and no material discrepancies have been noticed on such verification. The Company has not disposed off substantial part of its fixed assets during the year.
  - 9.2 Physical verification of inventory has been conducted at reasonable intervals by the management. In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory and no material discrepancies were noticed on such verification as compared to the book records.
  - 9.3 The Company has neither granted nor taken any loans, secured or unsecured, during the year to/ from parties and Companies listed in the register maintained under section 301 of the Act.
  - 9.4 In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.



- 9.5 (i) The particulars of contracts or arrangements that need to be entered into a register under section 301 of the Act have been entered.  
(ii) In our opinion, each of the transactions exceeding the value of Rs.5,00,000 pursuant to the aforesaid contracts/arrangement have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 9.6 In our opinion, the Company has complied with the provisions of sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 1975 with regard to deposits accepted from public.
- 9.7 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 9.8 On the basis of the records produced, we are of the opinion that prima facie, the cost records and related accounts prescribed by the Central Government under section 209(1)(d) of the Act have been made and maintained by the Company. However, we are not required to carry out and have not carried out any detailed examination of such records and accounts.
- 9.9 (i) In our opinion, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities.  
(ii) There are no dues of Income tax/wealth tax, excise duty, service tax, customs duty which have not been deposited on account of any dispute. Details of dues towards excise duty, service tax and sales tax that have not been deposited on account of any dispute, for which stay has been obtained, are (Nature of dues, dues, forum where dispute is pending) – Sales tax, Rs.35,909, Sales tax Appellate Tribunal.
- 9.10 The Company does not have any accumulated losses as at March 31, 2011 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- 9.11 The Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders during the year.
- 9.12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
- 9.13 The provisions of any special statute applicable to a chit fund, nidhi, mutual benefit fund/societies are not applicable to the Company.
- 9.14 The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the CARO are not applicable to the Company.
- 9.15 The Company has not given any guarantees for loans taken by others from banks or financial institutions.
- 9.16 In our opinion, the term loans availed by the Company during the year, were, prima facie, applied for the purpose for which they were obtained.
- 9.17 Based on an overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie, not been used for long term investment.
- 9.18 The Company has not made any preferential allotment of shares during the year to any party.
- 9.19 The Company has not issued any debentures during the year.
- 9.20 The Company has not raised money by public issues during the year.
- 9.21 Considering the size and nature of the Company's operations, no fraud of material significance on or by the Company has been noticed or reported during the year.

**For M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Registration No.01554S  
**M.K. Rajan-Partner**  
Membership No.4059

Salem  
May 23, 2011

**Balance sheet as at March 31, 2011**

	Schedule	Rupees	March 31, 2011 Rupees	March 31, 2010 Rupees
<b>1. Source of funds</b>				
<b>Shareholders' funds</b>				
Capital	1.1	3,85,74,500		3,85,74,500
Reserves and surplus	1.2	50,43,63,308		43,33,69,316
			54,29,37,808	47,19,43,816
<b>Loan funds</b>				
Secured loans	1.3	122,39,64,251		108,74,27,254
Unsecured loans	1.4	6,44,31,423		6,10,99,730
			128,83,95,674	114,85,26,984
<b>Deferred tax liability-net</b>			18,91,25,167	14,13,25,167
			202,04,58,649	176,17,95,967
<b>2. Application of funds</b>				
<b>Fixed assets</b>	1.5			
Gross block		209,94,01,746		209,18,52,021
Less : Depreciation		85,07,23,068		77,17,52,023
Net block		124,86,78,678		132,00,99,998
Capital work in progress		83,04,599		—
			125,69,83,277	132,00,99,998
<b>Investments</b>	1.6		2,45,00,000	2,45,00,000
<b>Current assets, loans and advances</b>				
Inventories	1.7	62,22,35,783		33,27,22,397
Sundry debtors	1.8	19,12,84,614		10,88,05,567
Cash and bank balances	1.9	1,10,34,661		1,48,87,741
Other current assets	1.10	2,05,66,152		2,60,54,155
Loans and advances	1.11	10,05,53,634		6,74,22,440
		94,56,74,844		54,98,92,300
Less				
<b>Current liabilities and provisions</b>				
Liabilities	1.12	18,58,46,150		12,20,55,836
Provisions	1.13	2,16,52,582		1,22,03,616
		20,74,98,732		13,42,59,452
Net current assets			73,81,76,112	41,56,32,848
<b>Miscellaneous expenditure</b>	1.14		7,99,260	15,63,121
			202,04,58,649	176,17,95,967
Significant Accounting Policies and Notes to the Accounts	3			

Per our report of even date  
**For M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Registration No.01554S  
**M.K. Rajan - Partner**  
Salem,  
May 23, 2011

For and on behalf of the Board  
**S. Devarajan**  
Director  
**R. Selvarajan**  
Chairman and Managing Director  
**S. Vijay Shankar**  
Joint Managing Director

**Profit and loss account for the year ended March 31, 2011**

	Schedule	2010-11 Rupees	2009-10 Rupees
<b>1. Income</b>			
Sales and conversion charges earned	2.1	151,87,46,900	105,64,20,936
Other income	2.2	18,37,127	9,81,682
		152,05,84,027	105,74,02,618
<b>2. Expenditure</b>			
Materials	2.3	81,11,51,594	56,51,57,491
Conversion charges paid		29,22,034	38,58,319
Stores and spare parts consumed		4,42,88,796	3,33,12,282
Power and fuel-net		13,73,43,646	9,96,33,556
Repairs to assets	2.4	1,80,77,817	2,10,33,009
Human resources	2.5	13,11,78,733	9,33,05,580
Other expenses	2.6	4,38,03,599	2,66,34,641
Financial expenses-net	2.7	11,29,94,944	9,16,71,510
Depreciation	2.8	7,84,20,282	7,79,26,924
		138,01,81,445	101,25,33,312
<b>3. Profit</b>			
Profit before tax		14,04,02,582	4,48,69,306
Provision for taxation			
- Current tax - Income tax (vide note 8 of Schedule 3.II to the accounts)		—	—
- Deferred tax- Liability		4,78,00,000	1,15,00,000
Profit after tax		9,26,02,582	3,33,69,306
Balance of profit/(loss) from prior year		22,01,287	(1,86,68,019)
		9,48,03,869	1,47,01,287
<b>4. Appropriations</b>			
Transfer to General Reserve		7,00,00,000	1,25,00,000
Interim dividend paid		76,98,500	—
Proposed final dividend		76,98,500	—
Corporate dividend tax on interim and proposed final dividend		25,27,514	—
Balance profit carried to balance sheet		68,79,355	22,01,287
		9,48,03,869	1,47,01,287
<b>5. Earnings per share - Basic (Face value Rs.10)</b>		24.06	8.67
Significant Accounting Policies and Notes to the Accounts	3		

Per our report of even date  
**For M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Registration No.01554S  
**M.K. Rajan - Partner**  
Salem,  
May 23, 2011

For and on behalf of the Board  
**S. Devarajan**  
Director  
**R. Selvarajan**  
Chairman and Managing Director  
**S. Vijay Shankar**  
Joint Managing Director



Cash Flow Statement - Year ended March 31, 2011		2010-11 Rupees	2009-10 Rupees
<b>1. Cash flow from operating activities</b>			
1.1 Profit before tax and exceptional item		14,04,02,582	4,48,69,306
1.2 Adjustment for			
(1) Depreciation, amortisation and impairment		7,84,20,282	7,79,26,924
(2) Deferred revenue expenses			
(i) Amortised in revenue		7,63,861	47,56,722
(ii) Incurred		—	—
(3) Unrealised foreign exchange gain (-)		(-) 22,01,903	(-) 84,65,423
(4) Amount considered under investing activities			
(i) Loss on disposal of assets		26,17,514	2,96,912
(ii) Dividend from investments		(-) 1,80,000	—
(5) Amounts considered under financing activities			
(i) Interest paid		9,98,58,998	9,35,94,582
(ii) Interest received		(-) 14,73,721	(-) 20,87,124
1.3 Operating profit before working capital changes		31,82,07,613	21,08,91,899
1.4 Adjustments for changes in			
(i) Inventories		(-) 28,95,13,386	(-) 22,63,35,254
(ii) Trade and other receivables (excluding amounts pertaining to fixed assets)		(-) 7,78,72,466	6,17,29,905
(iii) Trade and other payables (excluding amounts pertaining to fixed assets and interest accrued but not due)		6,58,70,305	4,02,00,878
1.5 Cash generated from operating activities		1,66,92,066	8,64,87,428
1.6 Direct Taxes paid		(-) 2,86,76,528	(-) 71,40,302
1.7 Net cash flow from operating activities (1)		(-) 1,19,84,462	7,93,47,126
<b>2. Cash flows from investing activities</b>			
2.1 Payments for acquisition of assets			
(1) Additions as per schedule 5		(-) 1,64,06,498	(-) 2,10,11,806
(2) Adjustment for changes in			
(i) Capital work in progress		(-) 83,04,599	—
(ii) Capital creditors-net		(-) 35,73,244	(-) 34,64,003
		(-) 2,82,84,341	(-) 2,44,75,809
2.2 Adjustment for changes in deposits maturing more than one year		(-) 9,76,000	(-) 21,11,000



Cash Flow Statement - Year ended March 31, 2011 (contd.)		2010-11 Rupees	2009-10 Rupees
2.3 Sale proceeds of fixed assets		23,40,000	10,86,085
2.4 Refund of terminal excise duty relating to acquisition of assets		7,65,946	64,15,452
2.5 Interest received		14,73,721	20,87,124
2.6 Dividend from Investments		1,80,000	—
2.7 Net cash utilised in investing activities (2)		(-) 2,45,00,674	(-) 1,69,98,148
<b>3. Cash flows from financing activities</b>			
3.1 Borrowings - Raised - Long term		99,36,994	3,59,04,280
- Repaid - Long term		(-) 15,31,17,047	(-) 3,38,95,948
3.2 Interest paid			
Amount stated in operating activities		(-) 9,98,58,998	(-) 9,35,94,582
3.3 Dividend paid including tax thereon		(-) 89,77,125	—
3.4 Net cash outflow from financing activities (3)		(-) 25,20,16,176	(-) 9,15,86,250
<b>4. Net decrease in cash flows (1)+(2)+(3)</b>		(-) 28,85,01,312	(-) 2,92,37,272
<b>5. Represented by movement in cash and cash equivalents as under:</b>			
5.1 At beginning			
(i) Cash and bank balances (excluding bank deposits maturing more than one year)		1,14,87,741	1,63,32,231
(ii) Cash credit balances		(-) 24,81,75,293	(-) 22,37,82,511
		(-) 23,66,87,552	(-) 20,74,50,280
5.2 At end			
(i) Cash and bank balances (excluding bank deposits maturing more than one year)		66,58,661	1,14,87,741
(ii) Cash credit balances		(-) 53,18,47,525	(-) 24,81,75,293
		(-) 52,51,88,864	(-) 23,66,87,552
5.3 Movement in cash and cash equivalents		(-) 28,85,01,312	(-) 2,92,37,272

Per our report of even date  
**For M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Registration No.01554S  
**M.K. Rajan - Partner**  
Salem,  
May 23, 2011

For and on behalf of the Board  
**S. Devarajan**  
Director  
**R. Selvarajan**  
Chairman and Managing Director  
**S. Vijay Shankar**  
Joint Managing Director

**Kandagiri Spinning Mills Limited**


Schedules to the Balance Sheet		March 31, 2011	March 31, 2010
		Rupees	Rupees
<b>1.1 Capital</b>			
<b>Authorised</b>			
50,00,000 Equity shares of Rs.10 each		<b>5,00,00,000</b>	5,00,00,000
<b>Issued</b>			
38,65,650 Equity shares of Rs.10 each		<b>3,86,56,500</b>	3,86,56,500
<b>Subscribed</b>			
38,49,250 Equity shares of Rs.10 each		<b>3,84,92,500</b>	3,84,92,500
Add Forfeited shares (amount paidup)		<b>82,000</b>	82,000
		<b>3,85,74,500</b>	3,85,74,500
<b>1.2 Reserves and surplus</b>			
Capital reserve			
Securities premium		<b>5,48,61,631</b>	5,48,61,631
Revaluation reserve		<b>22,51,22,322</b>	22,80,11,569
Cenvat credit relating to capital assets		<b>—</b>	7,94,829
		<b>27,99,83,953</b>	28,36,68,029
General reserve		<b>21,75,00,000</b>	14,75,00,000
Surplus - Balance in profit and loss account		<b>68,79,355</b>	22,01,287
		<b>50,43,63,308</b>	43,33,69,316
<b>1.3 Secured loans</b>			
From bankers	- Term loans	<b>67,28,87,635</b>	76,34,21,218
	- Cash credit facilities/short term loan	<b>46,77,18,643</b>	24,81,75,293
	- Goods loan facilities	<b>6,41,28,882</b>	—
	- Buyer's credit facilities	<b>1,88,56,838</b>	7,52,27,963
From Reliance Capital Limited - Vehicle loan		<b>3,72,253</b>	6,02,780
		<b>122,39,64,251</b>	108,74,27,254
<b>1.4 Unsecured loans</b>			
Fixed deposits		<b>6,44,31,423</b>	6,10,99,730
<b>1.5 Fixed assets</b>			

	Cost/valuation March 31, 2010	Additions/ (Deductions)	Cost/valuation March 31, 2011	Depreciation to date	Net Block	
					March 31, 2011	March 31, 2010
Land	16,14,96,836	(39,780)	16,14,57,056		16,14,57,056	16,14,96,836
Buildings	36,02,49,244	58,80,183	36,61,29,427	6,67,69,229	29,93,60,198	30,57,08,738
Plant and machinery	106,91,00,317	74,89,482 (84,34,403)	106,81,55,396	53,54,28,254	53,27,27,142	57,38,00,867
Wind energy converters	48,14,81,624		48,14,81,624	23,89,07,415	24,25,74,209	26,74,83,930
Furniture and office equipments	47,89,365	3,60,127	51,49,492	26,67,469	24,82,023	25,06,070
Vehicles	1,45,77,694	26,36,706 (3,82,590)	1,68,31,810	69,50,701	98,81,109	89,46,616
Live stock	1,56,941	40,000	1,96,941		1,96,941	1,56,941
	209,18,52,021	1,64,06,498 (88,56,773)	209,94,01,746	85,07,23,068	124,86,78,678	132,00,99,998
Previous Year	208,02,01,731	2,10,11,806 (93,61,516)	209,18,52,021	77,17,52,023	132,00,99,998	138,87,99,464

Thirty Fifth Annual Report

22

**Kandagiri Spinning Mills Limited**


Schedules to the Balance sheet (contd.)		March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
		No. of shares		Rupees	Rupees
<b>1.6 Investments</b>					
Equity shares of Companies of Rs.10 each					
Sambandam Spinning Mills Limited	<b>90,000</b>	90,000		<b>45,00,000</b>	45,00,000
SPMM Healthcare Services Private Limited - unquoted	<b>20,00,000</b>	20,00,000		<b>2,00,00,000</b>	2,00,00,000
				<b>2,45,00,000</b>	2,45,00,000
<b>1.7 Inventories</b>					
Stores and spares				<b>53,43,552</b>	55,28,713
Cotton				<b>39,47,66,862</b>	23,21,83,870
Cotton-in-process				<b>7,26,53,925</b>	5,95,53,330
Yarn				<b>14,01,10,802</b>	3,28,32,534
Process waste				<b>93,60,642</b>	26,23,950
				<b>62,22,35,783</b>	33,27,22,397
<b>1.8 Sundry debtors (Unsecured, considered good)</b>					
Trade				<b>18,63,85,326</b>	9,34,08,375
Others				<b>48,99,288</b>	1,53,97,192
				<b>19,12,84,614</b>	10,88,05,567
Of the above age analysis of debts					
- Debts over six months old				<b>16,53,159</b>	27,65,684
- Other debts				<b>18,96,31,455</b>	10,60,39,883
<b>1.9 Cash and bank balances</b>					
Cash on hand				<b>13,02,355</b>	31,28,081
Balance with scheduled banks					
- Current account				<b>27,12,067</b>	6,45,864
- Deposit account				<b>58,15,291</b>	99,66,052
- Unclaimed dividend account				<b>12,04,948</b>	11,47,744
				<b>1,10,34,661</b>	1,48,87,741
<b>1.10 Other current assets (Unsecured, considered good)</b>					
Deposit with government, public bodies and others				<b>1,67,83,478</b>	2,28,82,636
Prepaid expenses				<b>36,82,624</b>	30,71,469
Interest accrued on deposits				<b>1,00,050</b>	1,00,050
				<b>2,05,66,152</b>	2,60,54,155
<b>1.11 Loans and advances (Unsecured, considered good)</b>					
Advances				<b>7,76,05,031</b>	4,30,89,892
Other receivables				<b>2,29,48,603</b>	2,43,32,548
				<b>10,05,53,634</b>	6,74,22,440
<b>1.12 Liabilities</b>					
Trade creditors and accrued charges					
- Micro and small enterprises				<b>1,09,980</b>	3,12,306
- Others				<b>17,68,38,511</b>	11,63,35,004
Trade Deposits and Advances				<b>42,42,294</b>	—
Interest accrued but not due on loans				<b>1,59,436</b>	3,94,639
Unclaimed dividend				<b>12,04,948</b>	11,47,744
Other liabilities				<b>32,90,981</b>	38,66,143
				<b>18,58,46,150</b>	12,20,55,836
<b>1.13 Provisions</b>					
Employee benefits (Refer note 28(i) of schedule 3.II to the accounts)				<b>1,27,05,193</b>	1,22,03,616
Proposed final dividend				<b>76,98,500</b>	—
Corporate dividend tax on proposed final dividend				<b>12,48,889</b>	—
				<b>2,16,52,582</b>	1,22,03,616
<b>1.14 Miscellaneous expenditure</b>					
Loan raising expenses - not written off or adjusted				<b>7,99,260</b>	15,63,121

Thirty Fifth Annual Report

23





Schedules to the Profit and loss account		2010-11	2009-10
		Rupees	Rupees
<b>2.1 Sales and conversion charges earned</b>			
Yarn		147,81,96,527	103,48,60,858
Process waste		6,87,60,367	3,99,08,110
		<u>154,69,56,894</u>	<u>107,47,68,968</u>
Sales-tax and textile committee cess paid		2,82,10,538	1,86,44,795
		<u>151,87,46,356</u>	<u>105,61,24,173</u>
Conversion charges earned		544	2,96,763
[ Tax deducted at source Nil; (2009-10 Rs.4,878) ]			
		<u>151,87,46,900</u>	<u>105,64,20,936</u>
<b>2.2 Other income</b>			
Dividend from long term investments		1,80,000	—
Miscellaneous income		16,57,127	9,81,682
		<u>18,37,127</u>	<u>9,81,682</u>
<b>2.3 Materials</b>			
Raw materials consumed			
- cotton		93,14,83,624	59,55,63,878
- others		67,83,525	18,23,905
		<u>93,82,67,149</u>	<u>59,73,87,783</u>
Changes in inventories of yarn, cotton in process and process waste		(12,71,15,555)	(3,22,30,292)
		<u>81,11,51,594</u>	<u>56,51,57,491</u>
<b>2.4 Repairs to assets</b>			
Buildings		4,93,511	16,94,988
Plant and machinery		1,74,23,589	1,92,17,042
Other assets		1,60,717	1,20,979
		<u>1,80,77,817</u>	<u>2,10,33,009</u>
<b>2.5 Human resources</b>			
Salaries, wages and bonus		12,01,86,114	8,35,72,557
Contribution to provident, gratuity and other funds		56,58,099	50,34,652
Workmen and staff welfare expenses		53,34,520	46,98,371
		<u>13,11,78,733</u>	<u>9,33,05,580</u>
<b>2.6 Other expenses</b>			
Brokerage and commission on sales		1,55,45,582	98,21,321
Rent		4,200	8,050
Rates and taxes		15,54,859	8,84,447
Insurance		11,85,947	17,13,306
Travel and vehicle upkeep		1,07,28,408	66,18,589
Communication expenses		4,44,468	5,78,029
Donation and charity		28,55,035	2,49,927
Directors' sitting fees		4,75,000	4,90,000
Premium on hank yarn obligation charges - net		31,01,055	4,27,987
Loss on disposal of assets / compulsory acquisition of fixed assets		26,17,514	2,96,912
[ Tax deducted at source Nil; (2009-10 Rs.1,21,683) ]			
Miscellaneous expenses		52,91,531	55,46,073
		<u>4,38,03,599</u>	<u>2,66,34,641</u>
<b>2.7 Financial expenses-net</b>			
Interest paid on loans and other accounts		9,98,58,998	9,35,94,582
Less : Interest earned on deposit and other accounts		14,73,721	20,87,124
[ Tax deducted at source Rs.1,56,236 (2009-10 Rs.3,92,120) ]			
		<u>9,83,85,277</u>	<u>9,15,07,458</u>
Bank and other financial charges		1,46,09,667	1,64,052
		<u>11,29,94,944</u>	<u>9,16,71,510</u>
<b>2.8 Depreciation</b>			
Buildings		1,22,28,723	121,29,622
Plant and machinery		4,22,31,039	4,21,78,338
Wind energy converters		2,49,09,721	2,49,09,721
Furniture and office equipments		3,84,174	3,57,377
Vehicles		15,55,872	12,41,104
		<u>8,13,09,529</u>	<u>8,08,16,162</u>
Less Transfer from Revaluation reserve		28,89,247	28,89,238
[refer note 20(ii) of Schedule 3.II to the accounts]			
		<u>7,84,20,282</u>	<u>7,79,26,924</u>



## Schedules to the Balance sheet and Profit and loss account

## 3 Significant accounting policies and Notes to the accounts

## I Significant Accounting Policies

- 1 Basis of preparation of financial statements - The financial statements are prepared in accordance with the generally accepted accounting principles including accounting standards in India under historical cost convention except insofar as they relate to revaluation of land and buildings.
- 2 Use of estimates - The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements, disclosure of contingent liabilities and reported amounts of revenues and expenses for the year. Estimates are based on historical experience, where applicable, and other assumptions that management believes are reasonable under the circumstances. Actual results could vary from these estimates and any such differences are dealt with in the period in which the results are known/materialise.
- 3 Revenue recognition - Sales are recognized on dispatch to customers and include recovery towards sales tax, textile committee cess and export incentives. Revenue by way of, consideration receivable for sale of goods, rendering of services or, from the use by others of enterprise resources, and other benefits are recognised only when they are measurable and it would not be unreasonable to expect ultimate collection.
- 4 Foreign currency transactions - Foreign currency transactions (including booking/cancellation of forward contracts) are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency, other than those covered by forward exchange contracts, are translated at year end foreign exchange rates. Exchange differences arising on settlements are recognized in the Profit and Loss account. In case of forward exchange contracts which are entered into hedge the foreign currency risk of a receivable/payable recognized in these financial statements, premium or discount on such contracts are amortised over the life of the contract and exchange differences arising thereon in the reporting period are recognised in the Profit and loss account. Forward exchange contracts which are arranged to hedge the foreign currency risk of a firm commitment is marked to market at the year end and the resulting losses, if any, are charged to the Profit and loss account.
- 5 Employee benefits - (i) Short term employee benefit obligations are estimated and provided for; (ii) Post employment benefits and other long term employee benefits - (1) Company's contribution to provident fund, labour welfare fund, employees state insurance corporation and other funds are determined under the relevant schemes and /or statute and charged to revenue; (2) Company's liability towards gratuity and compensated absences are actuarially determined at each balance sheet date using the projected unit credit method. Actuarial gains and losses are recognised in revenue.
- 6 Fixed Assets - All costs relating to acquisition of fixed assets net of value added tax and terminal excise duty refund under Export Promotion Capital Goods Scheme, subject to the economic life and the cost being in excess of certain limits, are capitalised. Expenditure directly related and incidental to construction are capitalized up to the date of attainment of commercial production. Interest and other related costs, including amortised cost of borrowings attributable only to major projects are capitalized as part of the cost of the respective assets. In the case of Wind energy converters, cost of land on which the converters have been erected is capitalised as cost of the said converters.
- 7 Depreciation/amortisation - (i) Fixed assets are depreciated over their estimated useful lives or lives derived from the rates specified in Schedule XIV to the Companies Act, 1956, whichever is lower; (ii) depreciation/amortization is provided for the period the asset is put to use, (iii) Cost of land pertaining to the Wind energy converters is amortised in the same manner as the cost of the said converters are depreciated. No depreciation is reckoned in the year of disposal.

**Significant Accounting Policies (Contd.)**

- 8 Impairment of assets – The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be recognised wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. Provision for impairment will be reviewed periodically and amended depending on changes in circumstances.
- 9 Investments – These are carried at cost of acquisition and related expenses less provision for diminution other than temporary, if any.
- 10 Inventories – The governing principle of valuation of Inventories (other than process waste) is the lower of cost and net realisable value. Cost for the said purpose (i) in the case of stores and spare parts, is the weighted average cost (net of Cenvat credit/value added tax, if any), (ii) in the case of cotton in process and manufactured yarn, is the cost adopting the absorption costing method, and (iii) is without deduction of the adjustment made for power generated through Wind energy converters and adjusted against the cost of power purchased from state electricity board. Process waste is valued at net realizable value. Provision is made for obsolete, slow moving and damaged items of inventory, if any.
- 11 Government grants – Capital grants from government relating to depreciable assets are treated as deferred income and disclosed as a capital reserve and amortised over the useful life of the asset concerned. Cenvat credit relating to capital assets acquired is treated as capital reserve and amortised over the useful life of the assets concerned by transfer to profit and loss account and considered under depreciation. Grants/incentives other than those mentioned above are reckoned in the profit and loss account in the year of eligibility.
- 12 Deferred revenue expenditure – Major revenue expenditure incurred by way of/in connection with (i) planned replacement of worn out parts of plant and equipments, and (ii) raising of borrowing, is amortised over the estimated period the benefit from such expenditure is expected to enure in the case of (i) and over the period of the borrowings in the case of (ii) above.
- 13 Research and development – Revenue expenditure on research and development is charged to the profit and loss account as incurred. Capital expenditure on research and development, where the same represents cost of plant, machinery, equipment and other tangible assets, if any, is given the same accounting treatment as applicable to other capital expenditure.
- 14 Taxation - Income tax expense comprises of current tax, deferred tax charge or credit and fringe benefit tax. Provision for current tax is made with reference to taxable income for the current accounting year by applying the applicable tax rate. Deferred income tax charge reflects the impact of the current period timing differences between taxable income and accounting income, other than differences capable of getting reversed during the 'tax holiday' period, subject to consideration of prudence. The deferred tax charge or credit is recognised using prevailing tax rates. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets/liabilities are reviewed as at each balance sheet date based on developments during the period and available case laws to reassess realisation/liabilities.
- 15 Provisions and contingencies - To recognise a provision when (i) the Company has a present obligation as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. Disclosure of a contingent liability is made when there is a possible obligation that may, but probably will not, require outflow of resources. Where there is a possible obligation or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

**Schedules to the Balance sheet and Profit and loss account (Contd.)****II Notes to the accounts**

- 1 Issued and subscribed capital include 20,05,650 (March 31, 2010 – 20,05,650) Equity shares allotted as fully paid up by way of bonus shares by capitalisation of part of General reserve.
- 2 Movement in reserves – (i) Additions: Amount appropriated from the profit and loss account to General reserve Rs.7,00,00,000 (March 31, 2010 Rs.1,25,00,000); (ii) Deduction: Amount amortised from Cenvat credit relating to capital assets and adjusted in depreciation in Schedule 2.8 Rs.7,94,829 (March 31, 2010 Rs.10,96,661).
- 3 Particulars for secured loans – (i) Term loans from banks to an extent of Rs.54,36,55,861 (March 31, 2010 Rs.59,79,82,240) are secured by a first charge on the Company's immovable and movable properties (excluding book debts) subject to the charge stated in (iii) infra, (ii) Term loans from banks to an extent of Rs.12,92,31,774 (March 31, 2010 Rs.16,54,38,978) are secured by hypothecation of certain specific assets, (iii) Cash credit/buyer's credit facilities are secured by a first charge on the Company's current assets except the stock of cotton pledged for goods loan facility and by a second charge on the Company's immovable and movable properties (other than those covered under the first charge mentioned in (i) supra, (iv) Goods loan facilities are secured by pledge of stock of cotton; (v) Vehicle loan from Reliance Capital Limited of Rs.3,72,253 (March 31, 2010 Rs.6,02,780) is secured by hypothecation of specific vehicle; and (vi) All the above loans are guaranteed by three directors.
- 4 Unsecured loans include – (i) Fixed deposits from directors Rs.3,33,15,000 (March 31, 2010 Rs.3,68,15,000) and (ii) amounts repayable within twelve months from the balance sheet date Rs.1,68,74,000 (March 31, 2010 Rs.3,56,04,000).
- 5 Fixed assets – (i) Gross block includes Rs.23,09,00,807 added on revaluation of land and buildings as at March 31, 2009 based on report by an external valuer; and (ii) Deductions under plant and machinery includes terminal excise duty refund under Export Promotion Capital Goods Scheme, of Rs.7,65,946 (March 31, 2010 Rs.64,15,452).
- 6 The land and buildings of the Company were revalued as on March 31, 2009 by an external valuer on the basis of estimated market value in the case of land and estimated depreciated replacement cost in the case of buildings. The resulting surplus on such revaluation aggregating to Rs.23,09,00,807 has been credited to Revaluation reserve.
- 7 (i) Investments are long term, non trade and unquoted unless otherwise stated; (ii) Cost of quoted investments Rs.45,00,000 (March 31, 2010 Rs.45,00,000); (iii) Market value of quoted investments Rs.89,10,000 (March 31, 2010 Rs.68,31,000); and (vi) Cost of unquoted investments Rs.2,00,00,000 (March 31, 2010 Rs.2,00,00,000)
- 8 Loans and advances include Income tax paid in advance/deducted at source, net of provisions therefor. The income tax liability for March 31, 2011 as minimum alternate tax under section 115JB of the Income tax Act, 1961 amounting to Rs.2,80,00,000 is eligible to be carried forward and set off against future income tax under section 115JAA of the Income tax Act, 1961 and hence the minimum alternate credit entitlement is reckoned in the above head.
- 9 (i) The information required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company. There are no over dues to parties on account of principal amount and/or interest and accordingly no additional disclosures have been made; and (ii) There are no amounts remaining unpaid or unclaimed for a period of seven years in respect of unpaid dividend, matured fixed deposits and interest thereon from the date they became payable by the company and hence there are no amounts remaining to be credited to the Investor Education and Protection Fund.



## Schedules to the Balance sheet and Profit and loss account (Contd.)

## II Notes to the accounts (contd.)

- 10** Derivatives - The Company uses derivative financial instruments such as forward contracts and option to hedge certain currency rate exposures, present and anticipated, denominated mostly in US dollars, Euro and Swiss Franks. Generally such contracts are taken for exposures materializing in the next six months. The Company actively manages its currency rate exposures and uses these derivatives to mitigate the risk from such exposures. The Company has hedged exposure of US \$ 13,33,679 (March 31, 2010 US \$ 44,95,292) as at March 31, 2011 and has a net unhedged exposure of US\$ 96,314 (March 31, 2010 - US\$ 1,80,163) as at the said date.
- 11** Estimated capital expenditure commitments (net of advances) Rs.4,42,33,683 (March 31, 2010 Rs.11,43,65,171).
- 12** Contingent liabilities - (i) Claims against the Company not acknowledged as debts Rs.9,64,200 (March 31, 2010 Rs.10,04,679); (ii) Bills discounted with bankers Rs. Nil (March 31, 2010 Rs.3,77,67,631); and (iii) Other contingent liabilities Rs.1,09,22,616 (March 31, 2010 Rs.83,24,909).
- 13** Other income - Miscellaneous income includes net gain on foreign currency transaction and translation (other than considered as financial cost) Rs.1,52,460 (2009-10 Rs.9,17,140).
- 14** Raw materials consumed - others include consumption of yarn for manufacture of double/two-for-one yarn.
- 15** Power and fuel are (i) net of value of power generated by Wind energy converters Rs.7,87,02,413 (2009-10 Rs.7,72,19,698); (ii) net of income by way of carbon credit of Rs.48,99,288 (2009-10 Rs.78,97,103); and (ii) after reckoning the reversal of carbon credit accrued in prior years of Rs.1,53,97,192 (2009-10 Rs. Nil), as a measure of abundant caution, due to (a) rejection of claim for the credit by concerned sanctioning authorities and (b) inordinate delay in issue of validation report even after completion of inspection and documentation.
- 16** Repairs to plant and machinery include amortization of cost of planned replacement of worn out parts of plant and machinery Rs. Nil (2009-10 Rs.38,10,442).
- 17** Human resources - Particulars of managerial remuneration (i) To Managing Director - Salary Rs.21,60,000 (2009-10 Rs.21,60,000), Perquisites Rs.14,40,000 (2009-10 Rs.14,40,000), (ii) To Joint Managing Director - Salary Rs.14,40,000 (2009-10 Rs.14,40,000), Perquisites Rs.9,60,000 (2009-10 Rs.9,60,000).
- 18** Other expenses - (i) Miscellaneous expenses include payments to auditors for Financial audit Rs.3,00,000 (2009-10 Rs.2,50,000), Cost audit Rs.44,000 (2009-10 Rs.44,000), Taxation work Rs.1,40,000 (2009-10 Rs.1,10,000), Other work Rs.1,00,000 (2009-10 Rs.1,05,000) and Expenses reimbursed to Statutory auditors Rs.98,080 (2009-10 Rs.94,201), Cost auditors Rs.9,867 (2009-10 Rs.22,792).
- 19** Financial expenses - (i) Interest paid on fixed loans Rs.6,75,57,691 (2009-10 Rs.6,69,76,988) includes Rs.29,34,792 (2009-10 Rs.26,60,658) to the Managing Director; and (ii) Bank and other financial charges include (i) amortisation of loan raising expenses Rs.9,46,280 (2009-10 Rs.9,46,280) and (b) foreign currency transaction and translation loss (net) Rs.86,22,737 (2009-10 gain (net) Rs.65,68,083).
- 20** Depreciation/amortization - (i) Amortised cenvat credit deducted from capital reserve has been netted against the depreciation charge relating to the concerned plant and machinery; and (ii) Depreciation for the year computed on revalued assets includes a charge of Rs.28,89,247 (2009-10 Rs.28,89,238) being the excess depreciation computed by the method followed by the company prior to revaluation and the same has been transferred from Revaluation reserve to the Profit and Loss account.



## Schedules to the Balance sheet and Profit and loss account (contd.)

## II Notes to the accounts (contd.)

## 21 Quantitative information

(i)	Capacities	- Installed	Spindles	67,388	67,388
			Rotors	—	552
(ii)	Production	- Yarn	Kgs.	69,29,977	66,04,060
		- Process waste	Kgs.	21,15,090	16,13,548
(iii)	Consumption	- Cotton	Kgs.	91,89,215	83,51,147
		- Others	Kgs.	29,062	12,756
(iv)	Sales	- Yarn	Kgs.	66,39,640	64,97,921
		- Process Waste	Kgs.	20,67,595	15,44,528
			<b>March 31, 2011 Rupees</b>	<b>March 31, 2010 Rupees</b>	<b>March 31, 2009 Rupees</b>
(v)	Stocks at end				
	Yarn	Kgs.	4,67,964	1,77,628	71,489
		Rs.	14,01,10,802	3,28,32,534	1,33,54,758
	Process waste	Kgs.	1,57,235	1,09,740	40,720
		Rs.	93,60,642	26,23,950	8,96,574
	Cotton-in-process	Rs.	7,26,53,925	5,95,53,330	4,85,28,190

## 22 Consumption of materials

Raw materials (Cotton) - Imported	2,84,69,871 (3.03 %)	7,27,34,490 (12.18 %)
- Indigenous	90,97,97,278 (96.97 %)	52,46,53,293 (87.82 %)

There was no consumption of components and spare parts pertaining to finished goods

## 23 Foreign exchange earnings/outflow

(i) Export of goods (yarn) - FOB basis	2,88,81,134	6,22,50,800
Others (freight recovery)	6,30,790	6,28,078
(ii) Imports (CIF) - Machinery spares	25,28,902	6,35,537
- Cotton	1,97,91,106	7,91,82,264
(iii) Expenditure in foreign currency - Interest	54,14,777	39,66,695
- Others	5,33,957	5,37,305
(iv) Remittance of dividend to non-resident shareholders	-	-

March 31,  
2010  
Rupees

## Thirty Fifth Annual Report

## Ruppes lakhs

## Thirty Fifth Annual Report



## Schedules to the Balance sheet and Profit and loss account (contd.)

## II Notes to the accounts (contd.)

Rupees lakhs

	Gratuity (funded)		Compensated absences (unfunded)	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
G. Major categories of plan assets as a percentage of total plan				
(i) Government of India Securities	6 %	6 %		
(ii) State Government Securities	8 %	8 %		
(iii) High quality Corporate Bonds	—	—		
(iv) Special Deposit Scheme	—	—		
(v) Others (Bank deposits)	37 %	41 %		
(vi) SBI Life Insurance Company	49 %	45 %		
(vii) Total	100 %	100 %		
H. Actuarial Assumptions				
(i) Discount rate	8 %	8 %	8 %	8 %
(ii) Salary escalation rate	4 %	4 %	0 %	0 %
(iii) Attrition rate	1 %	1 %	1 %	1 %
(iv) Expected rate of return on plan assets	8 %	8 %	0 %	0 %

In the above actuarial valuation the estimates of future salary increases have reckoned the effect of inflation, seniority, promotion and other relevant factors.

(ii) Gratuity fund is administered through Group Gratuity Scheme with SBI Life Insurance and by the Gratuity trust through trustees.

(iii) During the year, the Company has recognised the following amounts in the Profit and Loss account in Schedule 2.5:

- Salaries, wages and bonus include compensated absences of Rs.3,50,697 (2009-10 Rs.11,68,078).
- Contribution to provident, gratuity and other funds include contribution to Provident Fund and Family Pension Fund contribution of Rs.47,00,007 (2009-10 Rs.42,27,440) and gratuity fund of Rs.9,58,092 (2009-10 Rs.8,07,212).
- Workmen and staff welfare expenses include contribution to Employee State Insurance of Rs.10,41,117 (2009-10 Rs.10,30,660).

29 Figures for the previous year have been regrouped to make them comparable to the classification adopted in the current year.

Signatures to Schedules to the Accounts

For and on behalf of the Board

**S. Devarajan**  
Director

**R. Selvarajan**  
Chairman and Managing Director

Salem,  
May 23, 2011

**S. Vijay Shankar**  
Joint Managing Director



## Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956

## Balance Sheet Abstract and Company's General Business Profile

## I Registration Details

Registration No. : 181-000762 State Code - 18  
Balance Sheet : 31-03-2011

## II Capital raised during the year (Rs. '000)

Public issue NIL Rights issue NIL  
Bonus Issue NIL Private Placement NIL

## III Position of Mobilisation and Deployment of Funds (Rs. '000)

Total Liabilities 2,02,04,59 Total Assets 2,02,04,59

## Sources of Funds

Paid up Capital 3,85,75  
Reserves and Surplus 50,43,63  
Secured Loans 122,39,64  
Unsecured Loans 6,44,32  
Deferred tax liability 18,91,25

## Application of Funds

Net Fixed Assets 1,25,69,84  
Investments 2,45,00  
Net Current Assets 73,81,76  
Accumulated losses NIL  
Miscellaneous expenditure 7.99

## IV Performance of Company (Rs. '000)

Turnover - net 151,87,47 Total expenditure - net 137,83,44  
Profit before Tax 14,04,03 Profit after Tax 9,26,03  
Earnings per share Rs.24.06 Dividend rate - Interim 20%  
- Final 20%

## V General Names of Three Principal Products

Item Code No. 5205 (Only one Product)  
(ITC Code)  
Product Description - COTTON YARN OTHER THAN SEWING THREAD CONTAINING 85% OR MORE BY WEIGHT OF COTTON NOT PUT UP FOR RETAIL SALE

For and on behalf of the Board

**S. Devarajan**  
Director

**R. Selvarajan**  
Chairman and Managing Director

Salem,  
May 23, 2011

**S. Vijay Shankar**  
Joint Managing Director