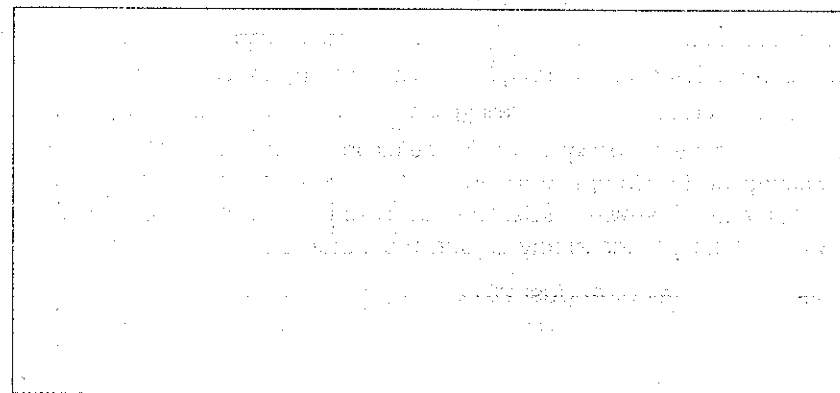


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36th Annual Report 2011-12



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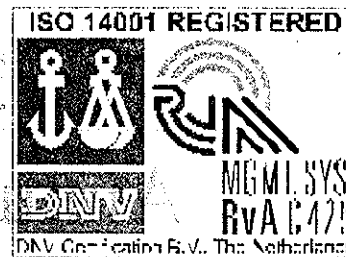
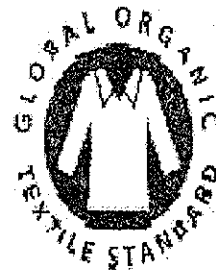


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Board of Directors R. Selvarajan – Chairman and Managing Director
S. Vijay Shankar – Joint Managing Director
S. Devarajan
S. Sivakumar
V. Mahadevan
P. S. Ananthanarayanan
V. Gopalan
N. Asoka

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 Udayapatti P.O.,
Salem 636 140. Tamil Nadu.

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

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

Wind Energy Panangudi, Pazhavor, Udhayathoor
Converters 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.

**NOTICE TO THE SHAREHOLDERS**

Notice is hereby given that the **Thirty Sixth Annual General Meeting** of the Company will be held at the Mill premises of Sambandam Spinning Mills Limited at Kamaraj Nagar Colony, Salem – 636 014 on **Monday, the 13th August, 2012 at 11.30 a.m** to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and the Profit and Loss account together with the Notes annexed thereto and the Cash Flow Statement for the year ended on that date and the reports of the Directors and the Auditors thereon.
2. To appoint a director in the place of Sri P.S. Ananthanarayanan who retires by rotation and being eligible, offers himself for re-appointment:
3. To appoint a director in the place of Dr. V. Gopalan who retires by rotation and being eligible, offers himself for re-appointment:
4. To appoint auditors and to fix their remuneration and, in this connection to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that, pursuant to Section 224 of the Companies Act, 1956, M/s. M.S.Krishnaswami & Rajan, Chartered Accountants be and are hereby re-appointed Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration and terms as may be determined by the Board of Directors of the Company."

Special Business

5. To consider, and if thought fit, to pass with or without modification, the following Resolution; as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or enactment thereof for the time being in force), consent of the Company be and is hereby accorded for reappointment of Sri R. Selvarajan, Chairman and Managing Director of the Company, for a period of three years from 1.10.2012 to 30.09.2015 on the following terms and conditions recommended by the Remuneration Committee and approved by the Board of Directors of the Company.

- (a) Basic Salary Rs.1,80,000/- (Rupees one lakh and eighty thousand only) per month
- (b) Perquisites and allowances not exceeding Rs.1,20,000/- (Rupees One lakh and twenty thousand only) per month, details of which are set out in the Explanatory Statement."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or enactment thereof for the time being in force), consent of the Company be and is hereby accorded for reappointment of Sri S. Vijay Shankar, Joint Managing Director of the Company, for a period of three years from 1.10.2012 to 30.09.2015 on the following terms and conditions recommended by the Remuneration Committee and approved by the Board of Directors of the Company.

- (a) Basic Salary Rs.1,20,000/- (Rupees One lakh and twenty thousand only) per month
- (b) Perquisites and allowances not exceeding Rs. 80,000/- (Rupees Eighty Thousand only) per month, details of which are set out in the Explanatory Statement."

Place: Salem
Date: May 30, 2012

For and on behalf of the Board of
Kandagiri Spinning Mills Limited
R.Selvarajan
Chairman and Managing Director

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and that the proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from **07.08.2012 to 13.08.2012** (both days inclusive).
3. Members are requested to contact M/s. Cameo Corporate Services Ltd., Registrars and Share Transfer Agents of the Company, at Subramaniam Building, No.1 Club House Road, Chennai 600 002 for recording any change of address, bank mandate, or nominations and for redress of grievance or contact the Company Secretary at the Registered Office of the Company. Members can also submit their grievances direct to the Company at the following e mail ID:

ksmcs@kandagirimills.com , sales@kandagirimills.com

Those members who have not so far encashed their **dividend warrants for the year 2005** may send the unencashed dividend warrants to the Company or **approach the company immediately for payment thereof**, as the same will be invalid after transfer of the unpaid amounts in August 2012 to the Investor Education and Protection Fund of the Central Government, pursuant to Section 205 A (5) of the Companies Act, 1956. After transfer of the unpaid dividend to the above fund, shareholders will cease to have any claim over that amount. Members who have not encashed any other year's dividend warrants after 2005 also may return the warrant(s) to the Company or contact the Company with their shareholding details for issue of fresh cheque in lieu of the unencashed dividend warrant(s). Unencashed/Unpaid dividends upto 2004 have already been transferred to the Investor Education and Protection Fund A/c of Government of India. As such no claim can be made for the dividends declared/paid prior to 2005.

5. As per the provisions of Sections 109A and 109B of the Companies Act, 1956 facility for making nomination is available to shareholders in respect of the shares held by them. This will facilitate smooth transmission of shares after the life time of the shareholders, particularly those holding shares in sole name. Nomination forms can be obtained from M/s Cameo Corporate Services Limited, at Subramaniam Building, No.1, Club House Road, Chennai – 600 002.
6. Securities and Exchange Board of India (SEBI) vide its Circular No.MRD/DoP/Cir-05/2009, dated May 20, 2009 issued pursuant to Section 11 of the SEBI Act, 1992, read with Section 55A of the Companies Act, made it mandatory for shareholders to furnish copy of their PAN card to the Company/RTA for registration of transfer of their shares. This is applicable to every transfer of shares transacted in the securities market irrespective of the amount of such transaction. Shareholders are advised to take note of this circular and comply with the same whenever they intend to transfer their shares / acquire further shares.
7. Members are requested to inform the Company their e-mail ID to facilitate quick response from the Company. Ministry of Corporate Affairs has recognised e-mail communication to share holders as effective and efficient means of communication from the Company and also addressed to the Company. Members may register their e-mail id with the Company and also keep the Company informed of any changes in their e-mail ID.
8. As per SEBI Regulation (Regulation No 13) a person holding the Company's shares/acquiring the Company's shares (voting rights) exceeding 5% of the paid up share capital (one lakh ninety thousand equity shares of the Company together with their existing holdings) shall inform the Company within 4 working days of acquisition of the Company's shares before sending the share transfer documents to Cameo Corporate Services Ltd., for registering the shares in their name. Similarly persons already holding 5% or more (more than one lakh ninety thousand) equity shares of the Company shall inform the Company if they sell or transfer any of their shares within 4 working days of sale of their shares.
9. Members who have not so far dematerialized their shares are advised to demat the shares held in physical form.



10. Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a brief resume of the directors who are proposed to be re-appointed on their retirement at this Annual General Meeting is given below:

(a) Sri P.S. Ananthanarayanan, an Engineer cum Cost Accountant, has held high position in Balmer Lawrie & Company Limited. He has three decades of experience in the field of cost control and planning. He is also a Director and Chairman of the Audit Committee and the Remuneration Committee of Sambandam Spinning Mills Limited. He does not hold any shares in the Company.

(b) Dr. V. Gopalan, a financial consultant, is a member of the Institute of Chartered Accountants, Cost Accountants and Company Secretaries and has held high position as Vice President in ICICI Limited, Director-Finance and Company Secretary in Cognizant Technology Solutions India Limited. He has more than two decades of experience in finance and administration. He is also a Director of Sambandam Spinning Mills Limited and a member of its Audit committee and Remuneration Committee. He does not hold any shares in the Company.

Dr. V. Gopalan was awarded Doctorate (Ph.D) by the Madras University for his Research work on "Financial Implications and Outcome of Cross Border Outbound Acquisitions from India". He had brought out in his research various gaps in the Indian Regulatory requirements with reference to Mergers and Acquisitions which received the attention of several policy makers. In his thesis, Dr.Gopalan suggested changes in the existing regulations of RBI, SEBI, Ministry of Corporate Affairs and Accounting Standards of ICAI.

Both the aforesaid Directors are members of the Audit Committee and the Remuneration Committee of the Company.

Explanatory statement pursuant to Sec.173(2) of the Companies Act, 1956 for items No. 5 and 6:

Remuneration Committee of the Company, at its meeting held on May 30, 2012, recommended reappointment of Sri R. Selvarajan, Chairman and Managing Director and Sri S. Vijay Shankar, Joint Managing Director for a period of three years from 1-10-2012 to 30-09-2015 and for payment of remuneration as stated in the respective resolutions. Board of Directors of the Company is of the opinion that Sri R. Selvarajan, Chairman and Managing Director and Sri S. Vijay Shankar, Joint Managing Director are fit and proper persons to hold the said office and that payment of remuneration to them as stated in the Resolutions are in the interest of the Company.

(a) Perquisites and Allowances: Following are the perquisites/allowances payable to Sri R. Selvarajan, Chairman and Managing Director and Sri S. Vijay Shankar Joint Managing Director

(i) Company's contribution to provident fund; (ii) Payment of Gratuity and other retirement benefits; (iii) Leave with full pay as per the rules of the Company with encashment of unavailed leave being allowed; (iv) Maintenance of residential accommodation, gas, water, electricity and power, furnishings and utility allowance; (v) reimbursement of medical expenses incurred in India and abroad for self and family including, in case of medical treatment abroad, air fare, boarding and lodging for patient and attendant; (vi) leave travel assistance and allowance; (vii) membership fees for clubs, including admission and life membership; (viii) hospitalisation and accident insurance; (ix) cost of insurance cover against the risk of any financial liability or loss because of any error of judgment; (x) free use of Company's car with driver for Company's work as well as for personal purpose along with driver, (xi) telephone, tele-fax and other communication facilities at Company's cost, (xii) subject to any statutory ceiling(s), the appointee may be given any other perquisites, benefits and facilities as the remuneration committee may, from time to time decide.



(b) Valuation of perquisites: Perquisites shall be valued as per the income tax rules, wherever applicable and at actual cost to the company in other cases.

(c) The Company's contribution to provident fund as per para (b)(i) above, payment of gratuity as per para (b)(ii) above and encashment of leave at the end of the tenure as per para (b)(iii) above shall not be included in the computation of perquisites for the purpose of the ceiling.

In terms of section II(1)(B) of Part II of Schedule XIII to the Companies Act, 1956, the Company can pay up to Rs.3,50,000/- per month by way of salary, perquisites and allowances to each whole time director, provided, the shareholders' approval by way of special resolution has been obtained for payment of managerial remuneration for a period not exceeding three years. Accordingly, the special resolutions at items No.5 and 6 are placed before the shareholders.

As required under clause (IV) of the proviso under Section II (1)(B) of Schedule XIII to the Companies Act, 1956, the additional information is furnished as under:

I General Information

- (1) Name of the industry : Textile
(2) Date of commencement of Commercial Production : June 1976
(3) Financial Performance :

Financial Highlights

Rs. lakhs

| | 2011-12 | 2010-11 |
|---|-----------|----------|
| Share Holders' funds | 4102.60 | 5429.38 |
| Non-Current Liabilities | 6285.63 | 8046.45 |
| Current Liabilities | 6735.96 | 8803.62 |
| Non-Current Assets | 13138.08 | 13698.33 |
| Current Assets | 3986.11 | 8581.12 |
| Income | 12665.88 | 15194.86 |
| Expenses | 14673.77 | 13790.83 |
| Profit / (Loss) before tax | (2007.89) | 1404.03 |
| Profit / (Loss) for the year after tax | (1297.89) | 926.03 |
| Earnings per Equity share (Face value Rs.10) -basic and diluted (in Rs.) | (33.72) | 24.06 |
| Total Capital employed | 16879.18 | 21951.40 |
| Net worth per share (Rs.) | 106.58 | 141.05 |
| Profit before Interest and Depreciation | 193.69 | 3311.11 |
| Retained earnings | Nil | 1710.22 |
| Dividend (%) | Nil | 40 |



| | | (Rs. Lakhs) | |
|---|--|-------------|---------|
| | | 2011-12 | 2010-11 |
| 4) Export Performance and net Foreign exchange | (i) Earnings in foreign exchange | 136.99 | 295.12 |
| Collaborations | No foreign collaboration | | |
| | (ii) Expenditure in Foreign Currencies | 56.71 | 59.48 |
| 5) Foreign investments or Collaborators, if any | Nil | | |

II Information about the appointee:

- (1) Background details: (1) Sri R. Selvarajan, 66 years of age, is a Matriculate. He became the Chairman and Managing Director of the Company on October 23, 2002 and has the distinction of leading the Company since then. He has been on the Board of various companies and has more than four decades of experience in the field of textiles.
- (2) Sri S. Vijay Shankar, 34 years of age, is a Master Graduate of Business Administration. He became the Joint Managing Director of the Company on October 23, 2002 and has been leading the Company since then. He specialized in business administration and finance and has served the company for the past 9 years.
- (2) Past remuneration: (1) For Sri R. Selvarajan, Rs.3,00,000/- per month inclusive of perquisites such as House rent allowance, Medical reimbursement, gas, water and electricity, leave encashment, gratuity, club subscriptions and other usual perquisites.
- (2) For Sri S. Vijay Shankar, Rs.2,00,000/- per month inclusive of perquisites such as House rent allowance, Medical reimbursement, gas, water and electricity, leave encashment, gratuity, club subscriptions and other usual perquisites.
- (3) Recognition and award: Nil
- (4) (i) Job profile (1) As Chairman and Managing director Sri R. Selvarajan is in charge of the management of the affairs of the Company.
- (2) As Joint Managing director Sri S. Vijay Shankar, is assisting the Managing Director in the management of the affairs of the Company.
- (ii) His suitability (1) Experience of Sri R. Selvarajan, for the last 35 years as Director of Sambandam Spinning Mills Limited and for the past 10 years as Managing Director of the company makes him ideally suitable for the said position.
- (2) Experience of Sri S. Vijay Shankar, in the field of business administration and finance for the past 10 years in the Company makes him ideally suitable for the said position.



- (5) Remuneration proposed (1) Rs.3,00,000/- per month inclusive of perquisites and other allowances as mentioned supra for Sri R. Selvarajan.
- (2) Rs.2,00,000/- per month inclusive of perquisites and other allowances as mentioned supra for Sri S. Vijay Shankar.
- (6) Comparative remuneration profile with respect to industry Information not available
- (7) Pecuniary relationship with the Company or relationship with the managerial personnel if any: (1) Sri R. Selvarajan holds 7,78,330 equity shares of Rs.10 each in the Company and he is related to Sri S. Vijay Shankar, Joint Managing Director.
- (2) Sri S. Vijay Shankar holds 4,09,582 equity shares of Rs.10 each in the Company and he is related to Sri R. Selvarajan, Chairman and Managing Director.

III. Other information:

Reasons for inadequate profits, steps taken for improvement and expected increase in productivity:

The Company's profitability was significantly affected due to fall in the price of yarn engendered by the recession in the US and European economy, EB Power crisis in Tamilnadu and high cost of Finance. Management is contemplating to initiate measures towards development of value added products and cost cutting measures, which are expected to improve the productivity and profitability of the company.

The proposed remuneration of Sri R. Selvarajan, Chairman and Managing Director and Sri S. Vijay Shankar, Joint Managing Director are subject to the approval of the shareholders by way of special resolution at the ensuing Annual General Meeting of the Company.

Sri S. Vijay Shankar, Joint Managing Director is concerned with or interested in the aforesaid proposed remuneration payable to Sri R. Selvarajan, Chairman and Managing Director. Sri R. Selvarajan is concerned with or interested in the aforesaid proposed remuneration payable to Sri S. Vijay Shankar, Joint Managing Director.

Minutes of the Remuneration Committee Meeting and the Board Meeting regarding the re-appointment of the aforesaid whole time directors and the remuneration payable to them are available at the Registered Office of the Company and is open for inspection by members during office hours.

The above explanatory statements together with the accompanying notice is to be treated as an abstract of the change in the terms of remuneration payable to Sri R. Selvarajan, Chairman and Managing Director and Sri S. Vijay Shankar, Joint Managing Director of the Company under section 302 of the Companies Act 1956.

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

For and on behalf of the Board of
Kandagiri Spinning Mills Limited
R. Selvarajan
Chairman and Managing Director

**DIRECTORS' REPORT**

Your directors have pleasure in submitting their 36th Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2012 (the year).

Performance Highlights

| | 2011-12 | 2010-11 |
|--|----------------|---------|
| | (Rupees lakhs) | |
| Gross sales/Income from operations | | |
| Export - Direct | 137 | 289 |
| - Merchandise | 4641 | 5903 |
| | 4778 | 6192 |
| Domestic Sales | 7856 | 8981 |
| Other income | 4 | 4 |
| Total Turnover | 12638 | 15177 |
| Gross profit (ie. profit before interest and depreciation) | 194 | 3311 |
| Cash profit/(loss) (ie. profit/(loss) before depreciation) | (1205) | 2188 |
| Profit/(loss) before tax | (2008) | 1404 |
| Profit/(loss) after tax | (1298) | 926 |
| Earnings per share | | |
| -basic and diluted Rs. | (33.72) | 24.06 |

Dividend

In view of the loss incurred during the year, no dividend is recommended by your board of directors.

Operating and Financial Performance

Your company's revenue from operations during the year has fallen from Rs.15177 lakhs to Rs.12638 lakhs due to the steep fall in yarn prices triggered by the crashing of yarn prices in the first quarter of 2011-12. In view of the disparity of cotton prices with yarn price coupled with power cut by nearly 60%, your company incurred loss of Rs.2008 lakhs as against profit of Rs.1404 lakhs recorded in the previous year.

Your company's Wind energy converters (WEC) generated power of the value of Rs.671 lakhs (Rs.787 lakhs in 2010-11) resulting in savings in power cost.

Management discussion and analysis

The core business of the 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

- (i) The last couple of years have seen almost all the economies of the world go through tumultuous times and India has been no exception to the troubled economic situation. With slackening global demand, tight liquidity situation, and the monetary tightening measures taken by Reserve Bank of India to tame inflation, the Indian industries experienced dampening economic activity.



- (ii) The year under review was quite challenging for Textile Industry. Sharp rise in the price of Cotton and Yarn in the beginning of the year and sudden and steep fall in the price of cotton within a few weeks in April 2011 coupled with ban on Export of Yarn during the 4th quarter of the previous Financial Year impacted the yarn market and there was virtual standstill during the next few months. The spinning sector was overburdened with high cost raw material carried in stock as at the end of the previous year and the inability of the market to absorb that cost resulted in huge loss to almost all companies in the Spinning Industry. Even though Cotton price started stabilizing in the second half of 2011-12, Yarn market did not recover throughout the year.

- (iii) Power shortage in Tamil Nadu became severe during the second half of 2011-12 necessitating increased use of gensets to meet the shortfall resulting in increased cost of production during that period.

- (iv) Bank interest rates were increased by almost 3% during the year as per the Reserve Bank of India's monetary tightening measures, which resulted in abnormal increase in Financial Cost during the year.

(b) Outlook

Since the cotton price has almost stabilized, the industry expects to improve its margin during the year. Demand for your Company's product is quite appreciable in domestic market. In spite of depreciating rupee, the export market is not picking up due to present crisis in the European and US Markets. Your directors do not foresee much improvement in the export market. However, it is hoped the Government of India will intervene with some relief packages to improve the exports. Barring the above situation, the Company's performance will be good in the coming years.

(c) Strategies and Future plans

As part of future plans the deferred expansion will be taken up for implementation, at the appropriate time once the textile industry comes to a recovery path. The Company is also actively examining the possibility of reducing costs at all levels and evaluating new value added products, which will have fresh demand in domestic as well as international markets.

(d) Internal control and systems

The 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). 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 above 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. 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.

COST AUDIT REPORT :

As per the directions of the Cost Audit Branch of the Ministry of Corporate Affairs, M/s.S.MAHADEVAN & CO., Cost Accountants Coimbatore, was appointed Cost Auditor for audit of Cost Accounts of the Company and his report for the year ended 31st March 2011 was submitted on 14.9.2011 to the Ministry of Corporate Affairs (VIDE SRN B 20301032 dated 14.9.2011). Due date for submission of that Cost Audit Report was 27.9.2011

M/s. S. Mahadevan & Co. were again reappointed for Audit of Cost Accounts of the Company for the year ended 31.3.2012. Their reports for the year ended 31.3.2012 will be filed before the due date, i.e. 27.9.2012.

Directors

Sri P.S.Ananthanarayanan and Dr.V.Gopalan retire by rotation and are eligible for reappointment.

The Companies Code of Conduct applicable to the board has been adopted by the board and all directors of the company have confirmed compliance with the Code of Conduct.

Auditors

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

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

Salem
May 30, 2012

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 judgements and estimates. The Directors believe that the financial statements reflect true and fair view of the financial position as on 31.3.2012 and of the results of operations for the year ended 31.3.2012.

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 the 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 internal audit function, 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

| | | 2011-12 | 2010-11 |
|--|-----------|--------------|---------|
| (i) Purchased units* | '000 KWH | 11077 | 14449 |
| Total cost | Rs. lakhs | 648 | 873 |
| Cost/unit | Rs. | 5.85 | 6.04 |
| *net of units generated through wind energy converters | | | |
| (ii) Own generation | | | |
| 1) Through diesel generator | | | |
| Generated units | '000 KWH | 3840 | 3964 |
| Units per litre of diesel | KWH | 3.33 | 3.30 |
| Cost/unit | Rs. | 10.98 | 10.97 |



| | | | |
|---|------------|----------------|---------|
| 2) Through steam turbine/generator | | — | — |
| 3) Through Wind energy converters | | — | — |
| Generated units(fed to TNEB Grid) | '000 KWH | 16087 | 19494 |
| Cost/unit* | Rs. | 3.23 | 2.66 |
| *Cost includes maintenance charges, interest and depreciation | | | |
| 2. Coal | | — | — |
| 3. Furnace oil | | — | — |
| 4. Others | | — | — |
| (b) Consumption per unit of production | | | |
| Production (Yarn) | Kgs. lakhs | 58.47 | 69.30 |
| Consumption of electricity | '000 KWH | 31004 | 37907 |
| Consumption per kg. of Yarn | KWH | 5.30 | 5.47 |
| 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 | 4778.16 | 6192.27 |
| (b) Total Foreign exchange used and earned | | | |
| 1) CIF value of Imports | | | |
| Spares for Capital goods* | Rs. lakhs | 51.56 | 25.29 |
| Raw materials (cotton)* | Rs. lakhs | — | 197.91 |
| *exclusive of net exchange difference | | | |
| 2) Other expenditure in foreign currency | | | |
| Interest | Rs. lakhs | 56.02 | 54.14 |
| Other matters | Rs. lakhs | 0.69 | 5.34 |
| 3) Foreign exchange earned | | | |
| Yarn export | Rs. lakhs | 136.99 | 295.12 |

(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 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 and nature of employment is contractual.

Salem
May 30, 2012

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 Agreement 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, 2012.

Salem,
May 30, 2012

R. Selvarajan
Chairman and Managing Director



Annexure to Directors' Report

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

OFFICE:
29, 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

CIN: L17111TZ1976PLC000762

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, 2012. 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 23/05/2011, 12/08/2011, 29/10/2011 and 01/02/2012 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 28th July 2011 to 12th August, 2011 (both days inclusive) during the year under scrutiny.
- The Annual General Meeting for the financial year ended on 31st March 2011 was held on 12/08/2011 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.
- No duplicate Share Certificate was issued 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 16/08/2011 and deposited a sum of Rs.76,98,500/-being the amount of Final dividend declared on 12.08.2011.
 (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 31.03.2012 was Rs.1,49,784/-.



- (iv) The Company has transferred Rs.163,383/- 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 B19731488, Dt. 06.09.2011.
- (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 the appointments of Directors, Additional Directors, Alternate Directors and Directors to fill casual vacancies during the year under scrutiny have been duly made.
- 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 an order from CLB on its suo-moto application filed u/s 621A of the Act for compounding of offences u/s 297 of the Act covering the period from 25.7.2006 to 15.11.2007 and the CLB's order dated 15.11.2011 has been duly filed with ROC with FORM 21 on 21.11.2011
- 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 58 A 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 31-3-2012 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.

Place : TRICHY - 3.
Date : 23/05/2012

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

**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 | CHALLAN NO | DATE | FEES PAID (Rs.) |
|-------------------|------------|------------|-----------------|
| Form - 17 | B11973336 | 11/05/2011 | 500 |
| Form - 17 | B11971272 | 11/05/2011 | 500 |
| Form-23C | S04892006 | 12/05/2011 | 2000 |
| Form - 62 | B15104391 | 28/06/2011 | 500 |
| Form - 62 | B18221481 | 13/08/2011 | 500 |
| Form 1 INV | B19731488 | 06/09/2011 | 0 |
| Form - 66 | P70031513 | 06/09/2011 | 500 |
| Form -32 | B19731017 | 06/09/2011 | 500 |
| Form CAR | B20301032 | 14/09/2011 | 0 |
| Form 20B | P71407688 | 01/10/2011 | 500 |
| DIN - 4 | B24188286 | 05/11/2011 | 0 |
| DIN - 4 | B24188534 | 05/11/2011 | 0 |
| Form - 21 | B25263138 | 21/11/2011 | 500 |
| Form-23AC XBRL | P84245018 | 30/12/2011 | 500 |
| Form -17 | B33452640 | 02/03/2012 | 500 |
| Form -17 | B33451311 | 02/03/2012 | 500 |

Place: TRICHY - 3.
Date : 23/05/2012

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

**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, vendors, 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 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 are members 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 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 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

The Code of Conduct laid down by the Company is applicable to the Board of Directors and all employees of the Company. This Code of Conduct emphasizes the Company's commitment to compliance with the highest standards of legal and ethical behaviour. All the Directors and 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. The declaration signed by Sri R. Selvarajan, Chairman and Managing Director is given separately in the Annual Report.



Directorship held by the existing Directors and shares of the Company held by them as on March 31, 2012 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 31.03.2012 |
|---|---|--|---|
| 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 (up to August 12, 2011) | 1 | - | 1,22,067 ** |
| Sri S. Sivakumar (from August 12, 2011) | 2 | - | 2,78,033 *** |
| Sri P.S. Ananthanarayanan | 1 | 1 | Nil |
| Sri V. Mahadevan | 2 | 2 | Nil |
| Dr. V. Gopalan | 2 | 1 | Nil |
| Sri N. Asoka | 2 | 2 | Nil |

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

** 85,550 shares held jointly with Smt.R.Sakunthala *** 1,18,870 shares held jointly with Master S. Ashwath Raam

Audit Committee

The Audit Committee presently consists of four non executive independent Directors and one non executive director. Dr. 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. The Chairman and Managing Director, Internal Auditor, Statutory Auditors and Cost Auditors are invitees to Audit Committee meetings. The terms of reference of the Audit Committee cover all the areas mentioned under Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors. The broad terms of reference of the Audit Committee are to review financial reporting process and all financial results, statements and disclosures and recommend the same to the Board, review the internal audit reports and internal control systems and procedures. The Committee also discusses the same with the internal auditors, meet the statutory auditors and discuss their findings, scope of audit, qualifications by auditors, if any, in the Annual Report, reviewing related party transactions, compliance with the listing agreements and other legal requirements and the 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

The Share Transfer Committee has been constituted to specifically look into the 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. The 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. Vijayshankar, executive Director and Sri S. Devarajan, non executive Director, are members of this Committee. Sri S. Vijayshankar is the Compliance officer. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings.

**Investor Grievance Committee**

The Investor Grievance Committee has been constituted to specifically look into the redressal of investors' complaints. This Committee looks into investor relations/grievances on a periodical basis. As on March 31, 2012, Sri N. Asoka, non executive Independent Director is the chairman of the Committee. Sri S. Vijayshankar, executive Director and Sri S. Sivakumar, non executive Director, are members of this Committee. Sri S. Vijayshankar, 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 one complaint was received from shareholder and redressed satisfactorily and 176 request letters were received from shareholders on routine matters and all these were dealt with satisfactorily.

Finance committee

The Finance Committee has been constituted to consider the borrowings and deployment of funds. Sri R. Selvarajan, Chairman and Managing Director, Chairs the meetings of the Committee. Sri S. Vijayshankar, executive Director and Sri S. Devarajan, non executive director, are members of this Committee. Sri S. Vijayshankar, executive director, is the Compliance officer. The said Committee meets periodically and discusses financial matters relating to borrowings and deployment of funds. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings.

Remuneration committee

The Remuneration committee has been constituted to consider the remuneration and other benefits to the executive directors. The Committee consists of 3 non executive Independent Directors, namely Sri P.S. Ananthanarayanan, Dr. V. Gopalan and Sri N. Asoka, Sri P.S. Ananthanarayanan chairs the meetings of the Committee. Sri S. Vijayshankar, executive director, is the Compliance officer. Minutes of the 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 Committee thereof during the year ended March 31, 2012 are as under:

| Name of Director | Board Meetings | Audit Committee Meetings | Share Transfer Committee Meetings | Investor Grievance Committee Meetings | AGM held on 12th August, 2011 | Directors' Sitting Fees Rs. | Directors' Remuneration Rs. |
|---|----------------|--------------------------|-----------------------------------|---------------------------------------|-------------------------------|-----------------------------|-----------------------------|
| Sri R. Selvarajan Chairman and Managing Director | 4 | — | 4 | — | 1 | — | 36,00,000 |
| Sri S. Vijayshankar Joint Managing Director | 4 | — | 4 | 4 | 1 | — | 24,00,000 |
| Sri S. Devarajan | 4 | 5 | 4 | — | 1 | 1,40,000 | — |
| Sri M. Rajamani (upto August 12, 2011) | 1 | — | — | 1 | — | 10,000 | — |
| Sri S. Sivakumar (from August 12, 2011) | 3 | — | — | 3 | 1 | 30,000 | — |
| Sri P.S. Ananthanarayanan | 4 | 5 | — | — | 1 | 1,40,000 | — |
| Sri V. Mahadevan | 4 | 5 | — | — | 1 | 1,40,000 | — |
| Dr. V. Gopalan | 4 | 5 | — | — | 1 | 1,40,000 | — |
| Sri N. Asoka | 4 | 5 | — | 4 | 1 | 1,40,000 | — |



Note : Four Board meetings were held during the year on May 23, 2011, August 12, 2011, October 29, 2011 and February 01, 2012. Five Audit Committee meetings were held during the year on April 15, 2011, May 22, 2011, August 11, 2011, October 28, 2011, and January 31, 2012. Share Transfer Committee meetings and Investors Grievance Committee meetings were held on May 23, 2011, August 12, 2011, October 29, 2011 and February 01, 2012.

4 Filing of Cost Audit Report

| | 2011-12 | 2010-11 |
|-----------------------------------|-----------|-----------|
| Due Date | 27-9-2012 | 27-9-2011 |
| Target / Actual Date of Filing | 25-9-2012 | 14-9-2011 |
| Audit qualification in the report | | Nil |

5 General Shareholder Information

- A The 36th Annual General Meeting of the company will be held August 13, 2012 at 11.45 a.m. at Sambandam Spinning Mills Limited mill Premises, Kamaraj Nagar Colony, Salem 636 014. The previous three Annual General meetings were held on the following dates:

| Year | Date | Time | Venue |
|------|------------|------------|--|
| 2009 | 23-09-2009 | 11.45 a.m. | Sambandam Spinning Mill's Premises, Kamaraj Nagar Colony, Salem 636 014. |
| 2010 | 12-08-2010 | 11.45 a.m. | Sambandam Spinning Mill's Premises, Kamaraj Nagar Colony, Salem 636 014. |
| 2011 | 12-08-2011 | 11.45 a.m. | Sambandam Spinning Mill's Premises, Kamaraj Nagar Colony, Salem 636 014. |

Two Special Resolutions were passed at the Annual General Meeting held 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 August 7, 2012 to August 13, 2012 (both days inclusive).

C Financial Calendar for year 2012-13

Board meetings to be : August 2012, October/November 2012, held in 2012-13 January/February 2013 and May 2013

Annual General Meeting : AGM will be held in August/September, 2013

D Listing on Stock Exchanges

Annual Listing Fee has been paid and all requirements, including submission of quarterly reports and certificates of the stock exchanges, where the shares of the Company are listed were duly complied with. Shares of the Company are listed with the Bombay Stock Exchange Limited (Stock Code : 521242) and the Madras Stock Exchange Limited. The 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**. The shares are available for trading in the depository system of both the National Securities Depository Limited (NSDL) and the Central Depository Services Limited (CSDL). So far 86.36% shares are in dematerialised form.

**E Registrar and Transfer Agents**

The share management work, both physical and demat, is being handled by the Registrars and Share Transfer Agents of the Company whose name and address are 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

F Market Price (BSE) during the Period April 1, 2011 to March 31, 2012

| Month | High (Rs.) | Low (Rs.) |
|----------------|------------|-----------|
| April 2011 | 120.00 | 99.00 |
| May 2011 | 105.00 | 88.80 |
| June 2011 | 98.70 | 83.00 |
| July 2011 | 98.05 | 86.00 |
| August 2011 | 91.95 | 68.10 |
| September 2011 | 90.00 | 69.00 |

| Month | High (Rs.) | Low (Rs.) |
|---------------|------------|-----------|
| October 2011 | 85.55 | 63.00 |
| November 2011 | 67.95 | 55.15 |
| December 2011 | 55.00 | 48.10 |
| January 2012 | 77.65 | 45.25 |
| February 2012 | 84.95 | 72.05 |
| March 2012 | 79.70 | 62.60 |

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. 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 Fax no.:0427-224442
Post bag no.3, Udayapatti P.O. e-mail: sales@kandagirimills.com
Salem 636 140. ksmcs@kandagirimills.com

H Distribution of shareholding as on March 31, 2012

| Shares held | Shareholders | % | No. of shares | % |
|-----------------|--------------|---------------|------------------|---------------|
| 1 – 5000 | 3202 | 98.16 | 5,73,250 | 14.89 |
| 5001 – 10000 | 19 | 0.58 | 1,49,269 | 3.88 |
| 10001 and above | 41 | 1.26 | 31,26,731 | 81.23 |
| Total | 3262 | 100.00 | 38,49,250 | 100.00 |

I Shareholding pattern as on March 31, 2012

| Category | No. of shares held | % |
|------------------------|--------------------|---------------|
| Indian Promoters | 26,92,372 | 69.94 |
| Financial Institutions | — | — |
| Bodies Corporate | 1,58,849 | 4.13 |
| Non Resident Indians | 1,222 | 0.03 |
| Indian Public | 9,96,807 | 25.90 |
| 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, 2012.

K Disclosures

- Details of transactions with the related parties as specified in Accounting Standards issued under section 211(3) of the Companies Act, 1956 have been reported in the Notes to the Accounts. There is no transaction of 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 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, Pazhāvoor, Udhayathoor and Parameshwarapuram villages, Radhapuram Taluk, Tirunelveli District, Tamil Nadu.

Melamaruthappapuram Village, Veerakeralam Pudur Taluk, Tirunelveli District
Gudimangalam Village, Udumalpet Taluk, Coimbatore District, Tamil Nadu.

Auditors' certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement**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, 2012 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 30, 2012

**Auditors' Report to the Members**

- 1 We have audited the attached Balance Sheet of **Kandagiri Spinning Mills Limited** (the Company) as at March 31, 2012, the Statement of Profit and loss and the Cash Flow Statement for the year ended on that date, both annexed thereto, (collectively referred to as the financial statements), 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, 2012, and taken on record by the Board of Directors, we report that none of the directors is prima facie disqualified as on March 31, 2012 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, 2012;
 - 8.2 in the case of the Statement of Profit and loss, of the loss 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 considered appropriate and according to the information and explanations furnished, it is reported that:
 - 9.1 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. However 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. 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 its inventories and no material discrepancies were noticed on such physical verification.
 - 9.3 the company has neither granted nor taken any loans, secured or unsecured, during the year, to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.
 - 9.4 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 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 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 as per the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 have been maintained by the company. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- 9.9 (i) 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 during the year.
- (ii) no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at the balance sheet date for a period of more than six months from the date they became payable.
- (iii) 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 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 incurred cash loss of Rs.12,05,17,177 during the financial year ended March 31, 2012 and has not incurred any cash losses 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 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 any 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 30, 2012



Balance sheet as at March 31, 2012

| Particulars | Note No. | As at March 31, 2012 | | As at March 31, 2011 |
|--------------------------------|----------|----------------------|---------------|----------------------|
| | | Rupees | Rupees | Rupees |
| EQUITY AND LIABILITIES | | | | |
| Shareholders' funds | | | | |
| Share capital | 1.1 | 3,85,74,500 | | 3,85,74,500 |
| Reserves and surplus | 1.2 | 37,16,85,045 | | 50,43,63,308 |
| | | | 41,02,59,545 | 54,29,37,808 |
| Non-current liabilities | | | | |
| Long-term borrowings | 1.3 | 49,84,01,687 | | 60,37,72,676 |
| Deferred tax liabilities (net) | 1.4 | 11,81,25,167 | | 18,91,25,167 |
| Long-term provisions | 1.5 | 1,20,35,842 | | 1,17,47,101 |
| | | | 62,85,62,696 | 80,46,44,944 |
| Current liabilities | | | | |
| Short-term borrowings | 1.6 | 49,85,56,503 | | 54,92,53,716 |
| Trade payables | 1.7 | 2,03,26,541 | | 17,38,91,936 |
| Other current liabilities | 1.8 | 15,43,51,638 | | 14,78,82,109 |
| Short-term provisions | 1.9 | 3,61,654 | | 93,34,092 |
| | | | 67,35,96,336 | 88,03,61,853 |
| TOTAL | | | 171,24,18,577 | 222,79,44,605 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Fixed assets | | | | |
| Tangible assets | 1.10 | 119,13,20,667 | | 124,86,78,678 |
| Capital work-in-progress | 1.10 | — | | 83,04,599 |
| | | 119,13,20,667 | | 125,69,83,277 |
| Non-current investments | 1.11 | 2,45,00,000 | | 2,45,00,000 |
| Long-term loans and advances | 1.12 | 9,79,04,667 | | 8,79,97,541 |
| Other non-current assets | 1.13 | 82,722 | | 3,52,288 |
| | | | 131,38,08,056 | 136,98,33,106 |
| Current assets | | | | |
| Inventories | 1.14 | 20,15,33,110 | | 62,22,35,783 |
| Trade receivables | 1.15 | 10,61,58,191 | | 18,63,85,326 |
| Cash and cash equivalents | 1.16 | 6,52,53,219 | | 1,10,34,662 |
| Short-term loans and advances | 1.17 | 97,69,797 | | 1,45,14,095 |
| Other current assets | 1.18 | 1,58,96,204 | | 2,39,41,633 |
| | | | 39,86,10,521 | 85,81,11,499 |
| TOTAL | | | 171,24,18,577 | 222,79,44,605 |

Statement on Significant Accounting Policies and Notes to the Financial Statements are an integral part of this Balance Sheet

Per our report of even date
For M.S. Krishnaswami & Rajan
Chartered Accountants
Registration No.01554S
M.K. Rajan - Partner
Salem,
May 30, 2012

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

S. Vijay Shankar
Joint Managing Director



Statement of Profit and Loss for the year ended March 31, 2012

| Particulars | Note No. | For the year ended March 31, 2012 | | For the year ended March 31, 2011 |
|---|----------|-----------------------------------|---------------|-----------------------------------|
| | | Rupees | Rupees | Rupees |
| Income | | | | |
| Revenue from operations | 2.1 | 126,37,97,492 | | 151,76,79,794 |
| Other income | 2.2 | 27,90,898 | | 18,06,181 |
| Total Revenue | | | 126,65,88,390 | 151,94,85,975 |
| Expenses | | | | |
| Cost of materials consumed | 2.3 | 86,46,60,553 | | 93,82,67,149 |
| Changes in inventories of finished goods and stock-in-trade | 2.4 | 6,11,51,960 | | -12,71,15,555 |
| | | | 92,58,12,513 | 81,11,51,594 |
| Employee benefits expense | 2.5 | 12,26,95,106 | | 13,11,78,732 |
| Finance costs | 2.6 | 13,98,86,029 | | 11,22,89,570 |
| Depreciation and amortization expense | 2.7 | 8,02,71,839 | | 7,84,20,282 |
| Other expenses | 2.8 | 19,87,11,919 | | 24,60,43,215 |
| Total Expenses | | | 146,73,77,406 | 137,90,83,393 |
| Profit/(Loss) before tax | | | -20,07,89,016 | 14,04,02,582 |
| Tax expense: | | | | |
| Current tax | | — | | — |
| Deferred tax | | -7,10,00,000 | | 4,78,00,000 |
| | | | -7,10,00,000 | 4,78,00,000 |
| Profit/(Loss) for the year after tax | | | -12,97,89,016 | 9,26,02,582 |
| Earnings per Equity share (Face value Rs.10) | | | | |
| -Basic and Diluted (in Rs.) | | | (33.72) | 24.06 |

Statement on Significant Accounting Policies and Notes to the Financial Statements are an integral part of this Statement of Profit and Loss

Per our report of even date
For M.S. Krishnaswami & Rajan
Chartered Accountants
Registration No.01554S-
M.K. Rajan - Partner
Salem,
May 30, 2012

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

S. Vijay Shankar
Joint Managing Director

**Cash Flow Statement for the year ended March 31, 2012**

| | As at March 31 2012 Rupees | As at March 31 2011 Rupees |
|---|----------------------------------|----------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Profit/(loss) before tax and exceptional item | -20,07,89,016 | 14,04,02,582 |
| 1.2 Adjustment for | | |
| Depreciation and amortisation | 8,02,71,839 | 7,84,20,282 |
| Deferred revenue expenditure - amortised - incurred | 2,69,566 | 7,63,861 |
| Unrealised foreign exchange losses/(gains) | Nil | -22,01,903 |
| Amount considered under investing activities | | |
| (Profit)/Loss on disposal of assets | -59,737 | 26,17,514 |
| Income from investments | -1,80,000 | -1,80,000 |
| Amount considered under financing activities | | |
| Interest paid | 13,05,03,311 | 9,98,58,998 |
| Interest received | -13,70,235 | -14,73,721 |
| 1.3 Operating profit before working capital changes | 86,45,728 | 31,82,07,613 |
| 1.4 Adjustment for changes in | | |
| Increase/(Decrease) in trade payables | -15,35,65,395 | 6,23,06,399 |
| Increase / (Decrease) in long term provisions | 2,88,741 | 1,50,880 |
| Increase / (Decrease) in short term provisions | -25,049 | -18,903 |
| Increase / (Decrease) in other current liabilities | 93,36,979 | 34,31,929 |
| Decrease / (Increase) in trade receivables | 8,02,27,135 | -9,29,76,951 |
| Decrease / (Increase) in inventories | 42,07,02,673 | -28,95,13,386 |
| Decrease / (Increase) in long term advances | -1,51,65,718 | 32,22,636 |
| Decrease / (Increase) in short term advances | 47,44,298 | 1,04,97,904 |
| Decrease / (Increase) in other current assets | 80,45,429 | 13,03,945 |
| 1.5 Cash generated from operating activities | 36,32,34,821 | 1,66,92,066 |
| 1.6 Income tax paid/(refund) | -7,23,011 | -2,86,76,528 |
| Net cash flow from operating activities before exceptional items | 36,25,11,810 | -1,19,84,462 |
| Exceptional items | Nil | Nil |
| Net cash flow from operating activities [A] | 36,25,11,810 | -1,19,84,462 |

**Cash Flow Statement for the year ended March 31, 2012 (Contd.)**

| | As at March 31 2012 Rupees | As at March 31 2011 Rupees |
|--|----------------------------------|----------------------------------|
| 2. Cash flows from investing activities | | |
| 2.1 Purchase of tangible assets, intangible assets, CWIP and capital advances | -1,18,05,117 | -2,82,84,341 |
| 2.2 Proceeds from sale of tangible assets | 3,47,981 | 23,40,000 |
| 2.3 Refund of terminal excise duty | Nil | 7,65,946 |
| 2.4 Investment in equity shares | Nil | Nil |
| 2.5 Interest received | 13,70,235 | 14,73,721 |
| 2.6 Dividend received | 1,80,000 | 1,80,000 |
| 2.7 Changes in Advances (Net) | | |
| Net cash flow used in investing activities [B] | -99,06,901 | -2,35,24,674 |
| 3. Cash flow from financing activities | | |
| 3.1 Proceeds from long term borrowings | 21,30,000 | 99,36,994 |
| 3.2 Repayments of long term borrowings | -11,03,68,439 | -9,52,95,274 |
| 3.3 Proceeds from short term borrowings | 5,00,00,000 | 24,72,56,838 |
| 3.4 Repayments of short term borrowings | -24,72,56,838 | -7,52,27,963 |
| 3.5 Interest paid - Net | -13,05,03,311 | -9,98,58,998 |
| 3.6 Dividend paid on equity shares | -76,98,500 | -76,98,500 |
| 3.7 Dividend Tax paid on equity dividend paid | -12,48,889 | -12,78,625 |
| Net cash flow from financing activities [C] | -44,49,45,977 | -2,21,65,528 |
| Net cash inflow / (outflow) [A+B+C] | -9,23,41,068 | -5,76,74,664 |
| Opening cash and cash equivalents | -29,09,62,216 | -23,32,87,552 |
| Closing cash and cash equivalents | -38,33,03,284 | -29,09,62,216 |
| Net increase / (decrease) in cash and cash equivalents | -9,23,41,068 | -5,76,74,664 |
| Note to the Cash Flow Statement | | |
| Components of cash and cash equivalents: | | |
| Cash and bank balances, cash credit excluding those relating to unclaimed dividend | -38,33,03,284 | -29,09,62,216 |
| Unrealised foreign exchange loss - net | Nil | Nil |
| | -38,33,03,284 | -29,09,62,216 |

Per our report of even date
For M.S. Krishnaswami & Rajan
Chartered Accountants
Registration No.01554S
M.K. Rajan - Partner
Salem,
May 30, 2012

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


Statement on Significant Accounting Policies forming part of the Financial Statements for the year ended March 31, 2012

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 in so far as they relate to revaluation of net assets.
All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in the revised schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the company has determined its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.
2. **Use of estimates** - The preparation of the 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** - Revenue from sale of products is recognized on despatch of goods to customers in accordance with the terms of sales. Revenue from services is recognized in accordance with the specific terms of contract on performance. Other operating revenues comprise of income from ancillary activities incidental to the operations of the company and is recognized when the right to receive the income is established as per the terms of the contract.
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 upto 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. Cost of structures on leasehold land, where the estimated useful life is more than ten years, is capitalized.


Statement on Significant Accounting Policies forming part of the Financial Statements for the year ended March 31, 2012 (contd.)

7. **Depreciation/amortization** - Fixed assets are depreciated/amortised (i) 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.
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** - Non-current investments are stated at cost. However, provision for diminution is made to recognize a decline, other than temporary, in the value of the investment, if any. Current investments are valued at lower of cost and fair value.
10. **Inventories** - The governing principle of valuation of Inventories (other than process waste) is the lower of cost and net realisable value. The 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 concerned asset. Cenvat credit relating to capital assets acquired is treated as capital reserve and amortised over the useful life of the concerned assets by transfer 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. **Amortisation of loan raising expenditure** - Major revenue expenditure incurred by way of/in connection with raising of borrowing is amortised over the period of the borrowings.
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. **Deferred tax** - 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. 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. A 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 possible obligation or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.



Notes annexed to and forming part of the Financial Statements (Balance Sheet)

| | As at March 31, 2012 Rupees | As at March 31, 2011 Rupees |
|---|---|-----------------------------------|
| 1.1 Share Capital | | |
| Authorised | | |
| 50,00,000 (2011 : 50,00,000) Equity shares of Rs.10 each | 5,00,00,000 | 5,00,00,000 |
| Issued | | |
| 38,65,650 (2011 : 38,65,650) Equity shares of Rs.10 each | 3,86,56,500 | 3,86,56,500 |
| Subscribed | | |
| 38,49,250 (2011 : 38,49,250) Equity shares of Rs.10 each fully paid | 3,84,92,500 | 3,84,92,500 |
| Add Forfeited shares (amount originally paid on 16,400 equity shares) | 82,000 | 82,000 |
| | 3,85,74,500 | 3,85,74,500 |
| Notes : | | |
| 1. Shareholders holding more than 5% of the total share capital: | | |
| <u>Name of the shareholder</u> | <u>2011-12</u> | <u>2010-11</u> |
| | <u>No. of shares</u> <u>%</u> | <u>No. of shares</u> <u>%</u> |
| R. Selvarajan | 7,78,330 20.22 | 7,78,330 20.22 |
| S. Vijay Shankar | 4,09,582 10.64 | 4,09,582 10.64 |
| 2. Rights and restrictions in respect of equity shares | The rights, preferences and restrictions of holders of Equity shares are governed by / in terms of their issue under the provisions of the Companies Act, 1956. | |
| 1.2 Reserves and Surplus | | |
| a) Securities Premium as at the beginning and end of the year | 5,48,61,631 | 5,48,61,631 |
| b) Revaluation Reserve | | |
| As at the beginning of the year | 22,51,22,322 | 22,80,11,569 |
| Transfer to Statement of Profit and Loss (refer note no.3.15 to the Financial Statements) | 28,89,247 | 28,89,247 |
| As at the end of the year | 22,22,33,075 | 22,51,22,322 |
| c) General Reserve | | |
| As at the beginning of the year | 21,75,00,000 | 14,75,00,000 |
| Transfer from Statement of Profit and Loss | - | 7,00,00,000 |
| As at the end of the year | 21,75,00,000 | 21,75,00,000 |
| d) Surplus/(Deficit) - balance in Statement of Profit and Loss | | |
| As at the beginning of the year | 68,79,355 | 22,01,287 |
| Current year profit/(loss) | -12,97,89,016 | 9,26,02,582 |
| Transfer to General Reserve | - | 7,00,00,000 |
| Interim dividend paid - Rs. Nil (2011 : Rs.2) per share | - | 76,98,500 |
| Proposed Dividend - Rs.Nil (2011 : Rs.2) per share | - | 76,98,500 |
| Corporate dividend tax thereon | - | 25,27,514 |
| As at the end of the year | -12,29,09,661 | 68,79,355 |
| | 37,16,85,045 | 50,43,63,308 |



Notes annexed to and forming part of the Financial Statements (Balance Sheet)

| | As at March 31, 2012 Rupees | As at March 31, 2011 Rupees |
|---|-----------------------------------|-----------------------------------|
| 1.3 Long term borrowings | | |
| Secured - Term loans from banks | 44,60,65,687 | 55,71,38,194 |
| - Term loan from others - Reliance Capital Limited | - | 1,40,482 |
| Unsecured - Fixed deposits | 5,23,36,000 | 4,64,94,000 |
| Notes : | 49,84,01,687 | 60,37,72,676 |
| i) Refer note no.3.16 to the Financial Statements for the terms of the loans | | |
| ii) Fixed deposits includes deposits from directors Rs.3,12,65,000 (2011 : Rs.3,33,15,000) | | |
| 1.4 Deferred tax liabilities (net) | | |
| Deferred tax liabilities | | |
| - Timing differences on account of depreciation | 18,13,14,765 | 19,33,45,514 |
| Deferred tax assets | | |
| - Unabsorbed tax depreciation and loss | 5,91,91,592 | - |
| - Provision for employees benefit | 39,98,006 | 42,20,347 |
| | 11,81,25,167 | 18,91,25,167 |
| 1.5 Long term provisions | | |
| Provision for employee benefit | | |
| Compensated absences | 1,20,35,842 | 1,17,47,101 |
| | 1,20,35,842 | 1,17,47,101 |
| 1.6 Short term borrowings | | |
| Secured from banks | | |
| Cash credit facilities | 44,85,56,503 | 30,19,96,878 |
| Goods loan facilities | 5,00,00,000 | 6,38,00,000 |
| Buyer's credit facilities | - | 1,88,56,838 |
| Short term loan | - | 16,46,00,000 |
| | 49,85,56,503 | 54,92,53,716 |
| Notes : Refer note no.3.16 to the Financial Statements for the terms the loans | | |
| 1.7 Trade payables | | |
| Micro, Small and Medium enterprises | 62,602 | 1,09,980 |
| Other trade payables | 2,02,63,939 | 17,37,81,956 |
| | 2,03,26,541 | 17,38,91,936 |
| 1.8 Other current liabilities | | |
| Current maturities of Long term debts | 12,26,67,474 | 12,55,34,924 |
| Interest accrued but not due on borrowings | - | 1,59,436 |
| Interest accrued and due on borrowings | 86,38,733 | 98,34,358 |
| Undaived dividends | 10,72,618 | 12,04,948 |
| Other payables | 2,19,72,813 | 1,11,48,443 |
| Notes : i) Refer note no.3.16 to the Financial Statements for terms of current maturities of long term debts | 15,43,51,638 | 14,78,82,109 |
| ii) Other payables include : | | |
| - contribution payable to Gratuity Fund | 41,17,236 | 9,58,092 |
| - capital creditors | 11,12,541 | 13,17,892 |
| - advance from customers | 1,16,86,228 | 55,78,248 |
| - sales tax payable | 34,50,880 | 16,20,034 |
| 1.9 Short term provisions | | |
| Provision for employee benefit | | |
| Compensated absences | 3,61,654 | 3,86,703 |
| Others | - | - |
| Proposed dividend | - | 76,98,500 |
| Corporate dividend tax on proposed dividend | - | 12,48,889 |
| | 3,61,654 | 93,34,092 |

Notes annexed to and forming part of the Financial Statements (Balance Sheet) Contd.

1.10 Tangible assets and Capital work in progress

| Description | Gross block (Cost/valuation) | | | Depreciation/amortisation/impairment | | | NET BLOCK | |
|--|------------------------------|--------------------|-----------------|--------------------------------------|---------------------|------------------------|------------------------|---------------------|
| | As on 01.04.2011 | Additions | Deductions | As on 31.03.2012 | Upto 31.03.2011 | Charge during the year | Deductions/Adjustments | Upto 31.03.2012 |
| Land - freehold | 16,14,57,056 | - | - | 16,14,57,056 | - | - | - | - |
| Buildings | 36,61,29,427 | 1,40,81,031 | - | 38,02,10,458 | 6,67,69,229 | 1,26,99,041 | - | 7,94,68,270 |
| Plant and machinery | 106,81,55,396 | 90,56,800 | - | 1,07,72,12,196 | 53,54,28,254 | 4,33,12,298 | - | 57,87,40,552 |
| Wind energy converters | 48,14,81,624 | - | - | 48,14,81,624 | 23,89,07,415 | 2,49,09,721 | - | 26,38,17,136 |
| Furniture and fittings | 23,62,315 | 30,264 | - | 23,92,579 | 13,78,589 | 1,41,252 | - | 15,19,851 |
| Vehicles | 1,68,31,810 | 28,93,224 | 8,52,680 | 1,88,72,354 | 69,50,701 | 18,46,726 | 5,64,436 | 82,32,991 |
| Office Equipment | 27,87,177 | - | - | 27,87,177 | 12,88,870 | 2,52,048 | - | 15,40,918 |
| Live stock | 1,96,941 | 30,000 | - | 2,26,941 | - | - | - | - |
| SUB TOTAL | 209,94,01,746 | 2,60,91,319 | 8,52,680 | 212,46,40,385 | 85,07,23,068 | 8,31,61,086 | 5,64,436 | 93,33,19,718 |
| Less: | | | | | | | | |
| Transfer from Revaluation Reserve pertaining to Building | - | - | - | - | - | 28,89,247 | - | - |
| TOTAL | 209,94,01,746 | 2,60,91,319 | 8,52,680 | 212,46,40,385 | 85,07,23,068 | 8,02,71,839 | 5,64,436 | 93,33,19,718 |
| Previous year | 209,18,52,021 | 1,64,06,498 | 88,56,773 | 209,94,01,746 | 77,17,52,023 | 7,84,20,282 | 31,33,313 | 85,07,23,068 |
| Capital work in progress | - | - | - | 0 | - | - | - | - |
| Previous year | - | - | - | 83,04,599 | - | - | - | - |
| | | | | | | | | 83,04,599 |
| | | | | | | | | 0 |

Notes:

- i) Gross block includes Rs. 23,09,00,307 added on revaluation of land and buildings as at March 31, 2009 based on report by an external valuer.
 ii) Deductions under plant and machinery includes refund of terminal excise duty under Export Promotion Capital Goods Scheme, of Rs. Nil (2011 : Rs. 7,65,946)
 iii) Borrowing cost capitalised - 2012 Rs. Nil (2011 : Rs. Nil)

Notes annexed to and forming part of the Financial Statements
(Balance Sheet contd.)

As at
March 31, 2012
Rupees

As at
March 31, 2011
Rupees

1.11 Non-Current Investments

Non-Trade Investments

Investments in Equity instruments

- i) Associates : 20,00,000 (2011 : 20,00,000) Equity shares of Rs.10 each in SPMM Health Care Services Private Limited
 ii) Others : 90,000 (2011 : 90,000) Equity shares of Rs.10 each in Sambandam Spinning Mills Limited #

| | |
|--------------------|--------------------|
| 2,00,00,000 | 2,00,00,000 |
| 45,00,000 | 45,00,000 |
| 2,45,00,000 | 2,45,00,000 |

Notes: i) All investments are fully paid-up

ii) Quoted investments (#) - Cost

| | |
|-----------|-----------|
| 45,00,000 | 45,00,000 |
|-----------|-----------|

- Market value

| | |
|-----------|-----------|
| 60,03,000 | 89,10,000 |
|-----------|-----------|

iii) Unquoted investments - Cost

| | |
|-------------|-------------|
| 2,00,00,000 | 2,00,00,000 |
|-------------|-------------|

1.12 Long term Loans and advances

Unsecured, considered good

Capital advances

| | |
|-----------|-------------|
| 60,96,756 | 1,20,78,359 |
|-----------|-------------|

Security deposits

| | |
|-------------|-------------|
| 2,47,60,040 | 1,70,86,478 |
|-------------|-------------|

Other loans and advances

- employee advances

| | |
|-------|----------|
| 6,350 | 7,03,367 |
|-------|----------|

- Sales tax, ESI and others paid under protest

| | |
|-------------|-----------|
| 1,11,22,616 | 29,33,443 |
|-------------|-----------|

- Advance income tax (net of provisions)

| | |
|-----------|-----------|
| 22,40,671 | 15,17,660 |
|-----------|-----------|

- MAT credit entitlement

| | |
|-------------|-------------|
| 5,36,78,234 | 5,36,78,234 |
|-------------|-------------|

| | |
|--------------------|--------------------|
| 9,79,04,667 | 8,79,97,541 |
|--------------------|--------------------|

1.13 Other Non-current assets

Unamortised loan raising expenses

| | |
|--------|----------|
| 82,722 | 3,52,288 |
|--------|----------|

| | |
|---------------|-----------------|
| 82,722 | 3,52,288 |
|---------------|-----------------|

1.14 Inventories

Raw materials - Cotton

| | |
|-------------|--------------|
| 3,58,09,594 | 39,47,66,862 |
|-------------|--------------|

Work-in-progress - Cotton in process

| | |
|-------------|-------------|
| 9,75,14,510 | 7,26,53,925 |
|-------------|-------------|

Finished goods - Yarn

| | |
|-------------|--------------|
| 5,38,34,895 | 14,01,10,802 |
|-------------|--------------|

- Process waste

| | |
|-----------|-----------|
| 96,24,004 | 93,60,642 |
|-----------|-----------|

Stores and spares

| | |
|-----------|-----------|
| 47,50,107 | 53,43,552 |
|-----------|-----------|

| | |
|---------------------|---------------------|
| 20,15,33,110 | 62,22,35,783 |
|---------------------|---------------------|

1.15 Trade receivables

Unsecured, considered good

Trade receivables Outstanding for more than six months from the date they are due for payment.

| | |
|-----------|-----------|
| 16,18,468 | 16,53,159 |
|-----------|-----------|

| | |
|---------------------|---------------------|
| 10,45,39,723 | 18,47,32,167 |
|---------------------|---------------------|

Others

| | |
|--------------|--------------|
| 10,61,58,191 | 18,63,85,326 |
|--------------|--------------|

Kandagiri Spinning Mills Limited


| Notes annexed to and forming part of the Financial Statements (Balance Sheet contd.) | As at | |
|--|---------------------------|--------------------------|
| | March 31, 2012 Rupees | March 31, 2011 Rupees |
| 1.16 Cash and cash equivalents | | |
| Balances with banks in Current account | 5,94,51,265 | 27,12,068 |
| Cash on hand | 8,96,014 | 13,02,355 |
| Earmarked balances with Banks - Unclaimed dividend accounts | 10,72,618 | 12,04,948 |
| - Liquid assets deposits * | 18,03,051 | 16,74,512 |
| * under Companies (Acceptance of Deposits) Rules, 1975 | | |
| Deposits with Banks held as margin money | 20,30,271 | 41,40,779 |
| Of the above, Bank deposits with morethan 12 months maturities Rs.29,85,018 (2011 - Rs.29,90,208) | 6,52,53,219 | 1,10,34,662 |
| 1.17 Short-term loans and advances | | |
| Unsecured, considered good | | |
| Material advances | 33,70,440 | 37,49,901 |
| Employee advances | 2,12,848 | 1,91,578 |
| Other receivables | 61,86,509 | 1,05,72,616 |
| | 97,69,797 | 1,45,14,095 |
| Of the above, other receivables include : | | |
| - VAT credit | 3,57,441 | 7,18,539 |
| - Prepaid expenses | 42,60,699 | 36,82,624 |
| 1.18 Other current assets | | |
| Interest accrued on deposits | 10,78,679 | 1,00,050 |
| Interest subsidy receivable | 1,42,35,352 | 2,29,48,603 |
| Export incentive receivable | 3,12,607 | 4,46,008 |
| Unamortised loan raising expenses | 2,69,566 | 4,46,972 |
| | 1,58,96,204 | 2,39,41,633 |
| Notes annexed to and forming part of the Financial Statements (Profit & Loss Account) | For the year ended | |
| | March 31, 2012 Rupees | March 31, 2011 Rupees |
| 2.1 Revenue from operations | | |
| Sale of products | | |
| Yarn | 120,33,97,343 | 145,36,00,873 |
| Process waste | 6,01,49,881 | 6,40,82,581 |
| | 126,35,47,224 | 151,76,83,454 |
| Revenue from services | | |
| Yarn testing charges | - | 10,350 |
| Yarn conversion charges | - | 544 |
| Other operating revenues | | |
| Scrap sales | 3,95,555 | 3,92,996 |
| | 126,39,42,779 | 151,80,87,344 |
| Less Trade rebate and discounts | 1,45,287 | 4,07,550 |
| | 126,37,97,492 | 151,76,79,794 |

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Kandagiri Spinning Mills Limited


| Notes annexed to and forming part of the Financial Statements (Profit & Loss Account Contd.) | For the year ended | |
|---|--------------------------|--------------------------|
| | March 31, 2012 Rupees | March 31, 2011 Rupees |
| 2.2 Other income | | |
| Interest income from | | |
| Security deposits and bank deposits | 13,70,235 | 14,73,721 |
| Dividend income from Non-current investments | 1,80,000 | 1,80,000 |
| Other non-operating income - Profit on sale of assets | 59,737 | - |
| Net gain on foreign currency transactions and translations | 11,80,926 | 1,52,460 |
| | 27,90,898 | 18,06,181 |
| 2.3 Cost of materials consumed | | |
| Cotton | 86,42,08,899 | 93,14,83,624 |
| Others | 4,51,654 | 67,83,525 |
| | 86,46,60,553 | 93,82,67,149 |
| Of the above | | |
| Imported items - Amount | - | 2,84,69,871 |
| - Percentage | - | 3.03 % |
| Indigenous items - Amount | 86,46,60,553 | 90,97,97,278 |
| - Percentage | 100.00 | 96.97% |
| 2.4 Changes in Inventories of finished goods and work-in-progress | | |
| Work-in-progress | -2,48,60,585 | -1,31,00,595 |
| Finished goods | 8,60,12,545 | -11,40,14,960 |
| Net change in inventories | 6,11,51,960 | -12,71,15,555 |
| 2.5 Employee benefits expense | | |
| Salaries, wages and bonus | 11,05,23,632 | 12,01,86,113 |
| Contribution to provident, gratuity and other funds | 77,41,128 | 56,58,099 |
| Welfare expenses | 44,30,346 | 53,34,520 |
| | 12,26,95,106 | 13,11,78,732 |
| 2.6 Finance costs | | |
| Interest | 13,05,03,311 | 9,98,58,998 |
| Other borrowing costs | 93,82,718 | 1,24,30,572 |
| | 13,98,86,029 | 11,22,89,570 |
| Other borrowing costs include amortisation on : | | |
| Loan raising expenses | 4,46,972 | 7,60,986 |
| Premium on forward contracts | 79,41,371 | 86,22,736 |
| 2.7 Depreciation and amortisation expense | | |
| Tangible assets | | |
| Buildings | 1,26,99,041 | 1,22,28,723 |
| Plant and machinery | 4,33,12,298 | 4,22,31,039 |
| Wind energy converters | 2,49,09,721 | 2,49,09,721 |
| Furniture and fittings | 1,41,252 | 1,32,126 |
| Office equipments | 2,52,048 | 2,52,048 |
| Vehicles | 18,46,726 | 15,55,872 |
| | 8,31,61,086 | 8,13,09,529 |
| Less Transfer from revaluation reserve | 28,89,247 | 28,89,247 |
| Total depreciation on tangible assets | 8,02,71,839 | 7,84,20,282 |

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| Notes annexed to and forming part of the Financial Statements (Profit & Loss Account Contd.) | For the year ended | |
|---|--------------------------|--------------------------|
| | March 31, 2012 Rupees | March 31, 2011 Rupees |
| 2.8 Other expenses | | |
| Conversion charges | 37,44,173 | 29,22,034 |
| Consumption of stores and spares | 2,23,63,497 | 2,74,08,655 |
| Power and fuel-net | 11,18,84,468 | 13,73,43,646 |
| Rent | 4,200 | 4,200 |
| Repairs and maintenance - Buildings | 3,20,704 | 4,93,511 |
| - Plant and machinery | 1,48,45,051 | 1,73,55,141 |
| Insurance | 8,21,113 | 11,85,947 |
| Rates and taxes | 8,22,111 | 15,54,859 |
| Packing and forwarding charges | 1,37,93,761 | 1,53,41,251 |
| Brokerage and commission on sales | 1,20,92,020 | 1,55,45,582 |
| Travel and vehicle upkeep expenses | 97,23,190 | 107,28,408 |
| Donation and charity | 2,99,081 | 28,55,035 |
| Premium on bank yarn obligation charges | 2,41,048 | 31,01,055 |
| Directors' sitting fees | 7,40,000 | 4,75,000 |
| Loss on sale of assets | — | 26,17,514 |
| Bank and other financial charges | 8,85,704 | 21,79,094 |
| Miscellaneous expenses | 61,31,798 | 49,32,283 |
| | 19,87,11,919 | 24,60,43,215 |

3. Notes annexed to and forming part of the Financial Statements

| | March 31, 2012 Rupees | March 31, 2011 Rupees |
|--|-----------------------------|-----------------------------|
| 3.1 Information regarding Imports (c.i.f) | | |
| Raw materials | — | 1,97,91,106 |
| Machinery spares | 51,56,324 | 25,28,902 |
| 3.2 Foreign currency transactions and other financial information | | |
| (i) Expenditure in foreign currency | | |
| Interest | 56,01,554 | 54,14,777 |
| Travel | 69,044 | 5,33,957 |
| (ii) Earnings in foreign currency | | |
| Export of goods (FOB value) | 1,36,59,086 | 2,88,81,134 |
| Others (freight recoveries) | 39,950 | 6,30,790 |
| (iii) Remittance of dividend to Non-Resident Shareholders | — | — |



| 3. Notes annexed to and forming part of the Financial Statements (contd.) | March 31, 2012 Rupees | | March 31, 2011 Rupees |
|---|--------------------------|--|--------------------------|
| | | | |
| 3.3 Auditors' remuneration (included under Miscellaneous expenses (refer Note 2.8 to the Financial statements)) | | | |
| (i) For financial audit | 3,00,000 | | 3,00,000 |
| (ii) For cost audit | 75,000 | | 44,000 |
| (iii) For taxation matters | 1,50,000 | | 1,40,000 |
| (iv) For other services | 1,36,000 | | 1,00,000 |
| (v) For reimbursement of expenses | 69,832 | | 98,080 |
| 3.4 Contingent liabilities | | | |
| (i) Claims against the company not acknowledged as debts | 1,55,39,608 | | 1,18,86,816 |
| (ii) Bills discounted with banks | 33,99,369 | | Nil |
| Out flow relating to above not practicable to indicate in view of the uncertainties involved | | | |
| 3.5 Capital commitments not provided for (net of advances) | 4,43,53,683 | | 4,42,33,683 |
| 3.6 Earnings per share | | | |
| Profit/(Loss) after taxation as per Statement of Profit and Loss (A) | (12,97,89,016) | | 9,26,02,582 |
| Number of equity shares outstanding (B) | 38,49,250 | | 38,49,250 |
| Basic and Diluted earnings per share (in Rupees) – Basic (A/B) | (33.72) | | 24.06 |
| 3.7 Segment information | | | |
| The company's primary segment is identified as business segment based on nature of products, risks, return and the internal business reporting system (i.e. cotton yarn) and operates in a single geographical segment as per Accounting Standard 17. | | | |
| 3.8 Related party disclosure | | | |
| (i) Related parties with whom transactions have taken place during the year | | | |
| (1) Key management personnel | - | Sri R. Selvarajan – Chairman and Managing Director | |
| (2) Associate | - | SPMM Healthcare Services Private Limited | |
| (3) Parties where significant influence exists | - | S. Palaniandi Mudaliar Charitable Trust and Kandagiri Spinning Mills Gratuity Trust | |
| (ii) Transactions with related parties | | | |
| (1) Key management personnel | | | |
| - Interest payment | 30,82,063 | | 29,34,792 |
| - Dividend payment | 15,56,660 | | 15,56,660 |
| - Remuneration | 36,00,000 | | 36,00,000 |
| - Fixed deposits received | 30,00,000 | | 10,00,000 |
| - Fixed deposits repaid | 20,00,000 | | 16,00,000 |
| - Outstanding balances under Fixed deposits | 2,57,62,619 | | 2,42,11,927 |



| 3. Notes annexed to and forming part of the Financial Statements (contd.) | | March 31, 2012 Rupees | March 31, 2011 Rupees |
|---|-----------|--------------------------|--------------------------|
| 3.8 Related party disclosure (contd.) | | | |
| (2) Parties where significant influence exists | | | |
| S. Palaniandi Mudaliar Charitable trust | | | |
| - Payments for employee welfare services | 3,09,960 | 53,114 | |
| - Contribution paid | Nil | 25,00,000 | |
| Kandagiri Spinning Mills Gratuity trust | | | |
| - Contribution paid/payable | 31,59,144 | 9,58,092 | |
| 3.9 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 net surplus on such revaluation aggregating Rs.23,09,00,807 has been credited to revaluation reserve. | | | |
| 3.10 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 overdues 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. | | | |
| 3.11 Derivatives - The company uses derivative financial instruments such as forward contracts and option to hedge certain currency 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 \$ Nil (March 31, 2011 US \$ 13,33,679) as at March 31, 2012 and has a net unhedged exposure of US \$ Nil (March 31, 2011 US\$96,314). | | | |
| 3.12 Raw material consumed – others include consumption of yarn for manufacture of double yarn. | | | |
| 3.13 Power and fuel are (i) net of value of power generated by Wind energy converters Rs.6,71,09,012 (2010-11 Rs.7,87,02,413); (ii) net of income by way of carbon credit of Rs.Nil (2010-11 Rs.48,99,288); and (ii) after reckoning the reversal of carbon credit accrued in prior years of Rs.48,99,288 (2010-11 Rs.1,53,97,192), 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. | | | |
| 3.14 Human resources – Particulars of managerial remuneration (i) To Managing Director – Salary Rs.21,60,000 (2010-11 Rs.21,60,000), Perquisites Rs.14,40,000 (2010-11 Rs.14,40,000); and (ii) To Joint Managing Director – Salary Rs.14,40,000 (2010-11 Rs.14,40,000), Perquisites Rs.9,60,000 (2010-11 Rs.9,60,000). | | | |
| 3.15 Depreciation/amortisation – (i) Amortised cenvat credit of Rs.Nil (2010-11 Rs.7,94,829) 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 (2010-11 Rs.28,89,247) 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. | | | |



| 3. Notes annexed to and forming part of the Financial Statements (contd.) | | As on March 31, 2012 | | | | As on March 31, 2011 | | | |
|---|---|----------------------|------------------|----------------|--------------------|----------------------|------------------|----------------|--------------------|
| 3.16 Details of Long Term Borrowings: | | | | | | | | | |
| Bank Name | Particulars of Repayment | As on March 31, 2012 | | | | As on March 31, 2011 | | | |
| | | Non Current (Rupees) | Current (Rupees) | Total (Rupees) | Rate of Interest % | Non Current (Rupees) | Current (Rupees) | Total (Rupees) | Rate of Interest % |
| a. Secured Loans: 1) Term loans from Banks State Bank of India Term Loan 1 | 33 monthly instalments of Rs.25 lakhs each and one monthly instalment of Rs.37.50 lakhs | 5,62,49,990 | 3,00,00,000 | 8,62,49,990 | 14.50 | 8,62,49,990 | 3,00,00,000 | 11,62,49,990 | 13.25 |
| | State Bank of India Term Loan 2 | - | 48,56,000 | 48,56,000 | 14.50 | 48,56,000 | 40,00,000 | 88,56,000 | 13.25 |
| | State Bank of India Term Loan 3 | 3,49,68,582 | 2,40,00,000 | 5,89,68,582 | 14.50 | 5,89,68,582 | 2,40,00,000 | 8,29,68,582 | 13.25 |
| State Bank of India Term Loan 4 | Already repaid | - | - | - | - | - | 52,36,729 | 52,36,729 | 13.25 |
| Karnataka Bank Ltd. Term Loan 1 | One monthly instalment of Rs.5 lakhs, 24 monthly instalments of Rs.10 lakhs each, 12 monthly instalments of Rs.20 lakhs each, 8 monthly instalments of Rs.36 lakhs each and one monthly instalment of Rs.21 lakhs | 6,76,99,689 | 1,15,00,000 | 7,93,99,689 | 14.00 | 7,93,99,689 | 60,00,000 | 8,53,99,689 | 13.00 |
| Karnataka Bank Ltd. Term Loan 2 | one monthly instalment of Rs.20 lakhs, 12 monthly instalments of Rs.25 lakhs each, 12 monthly instalments of Rs.50 lakhs each, 10 monthly instalments of Rs.170 lakhs each and one monthly instalment of Rs.289 lakhs | 26,13,82,974 | 2,95,00,000 | 29,08,82,974 | 14.00 | 29,08,82,974 | 2,30,00,000 | 31,38,82,974 | 13.00 |

3. Notes annexed to and forming part of the Financial Statements (contd.)

3.16 Details of Long Term Borrowings: (contd.)

| Bank Name | As on March 31, 2012 | | | | Particulars of Repayment | As on March 31, 2011 | | | Rate of Interest % |
|--|----------------------|------------------|----------------|--------------------|---|----------------------|------------------|----------------|--------------------|
| | Non Current (Rupees) | Current (Rupees) | Total (Rupees) | Rate of Interest % | | Non Current (Rupees) | Current (Rupees) | Total (Rupees) | |
| Karnataka Bank Ltd. Term Loan 3 | 2,42,85,419 | 1,10,00,000 | 3,52,85,419 | 14.00 | one quarterly instalments of Rs.20 lakhs, 4 quarterly instalments of Rs.30 lakhs each, 4 quarterly instalments of Rs.35 lakhs each and one quarterly instalment of Rs.69 lakhs | 3,52,85,419 | 70,00,000 | 4,22,85,419 | 13.00 |
| Karnataka Bank Term Loan 4 | — | — | — | — | — | — | 80,85,748 | 80,85,748 | 13.00 |
| HDFC Bank bus loan | — | 4,39,992 | 4,39,992 | 10.25 | 36 monthly instalments | 4,39,992 | 4,40,004 | 8,79,996 | 10.25 |
| HDFC Bank bus loan | 5,60,384 | 5,16,000 | 10,76,384 | 10.25 | 36 monthly instalments | — | — | — | — |
| ICICI Bank bus loan | 3,89,548 | 6,66,000 | 10,55,548 | 9.75 | 31 monthly instalments | 10,55,548 | 6,66,672 | 17,22,220 | 9.75 |
| Federal Bank car loan | 3,29,101 | 1,81,000 | 5,10,101 | 10.71 | 36 monthly instalments | — | — | — | — |
| ii) Term loans from others Reliance Capital Limited - LCY loan | — | 1,40,482 | 1,40,482 | 10.01 | 24 monthly instalments | 1,40,482 | 2,31,771 | 3,72,253 | 10.01 |
| iii) Cash credit from banks State Bank of India | — | 20,72,34,206 | 20,72,34,206 | 15.00 | On demand | — | 9,36,61,494 | 9,36,61,494 | 13.25 |
| Karnataka Bank Ltd. | — | 20,06,10,841 | 20,06,10,841 | 13.25 | On demand | — | 12,81,68,071 | 12,81,68,071 | 13.00 |
| Axis Bank Ltd. | — | 4,07,11,456 | 4,07,11,456 | 13.00 | On demand | — | 8,01,67,313 | 8,01,67,313 | 11.75 |
| iv) Short term loan from banks Goods loan from Karnataka Bank | — | 5,00,00,000 | 5,00,00,000 | 14.25 | Repayable on September 30, 2012 | — | 6,38,00,000 | 6,38,00,000 | 13.00 |
| Buyers credit loan (FC) | — | — | — | — | — | — | 1,88,56,838 | 1,88,56,838 | 2.45 |
| State Bank of India STL | — | — | — | — | — | — | 12,00,00,000 | 12,00,00,000 | 11.00 |
| Karnataka Bank FCDL | — | — | — | — | — | — | 4,46,00,000 | 4,46,00,000 | 6.96 |
| TOTAL | 44,60,65,687 | 61,13,55,977 | 105,74,21,664 | | | 55,72,78,676 | 66,79,14,640 | 121,51,93,316 | |

3. Notes annexed to and forming part of the Financial Statements (contd.)

3.16 Details of Long Term Borrowings: (contd.)

(i) Term loans from banks aggregating Rs.46,13,88,653 (March 31, 2011: Rs.53,77,11,130) are secured by a first charge on the Company's immovable and movable properties (excluding book debts) subject to the charge stated in (v) infra. (ii) Term loans from banks to an extent of Rs.9,42,54,001 (March 31, 2011: Rs.12,52,54,001) are secured by a first charge on the Company's wind mills; (iii) Term loans from banks to an extent of Rs.30,82,025 (March 31, 2011: Rs.26,02,216) are secured by hypothecation of certain buses and cars; (iv) Term loan from Reliance Capital Limited of Rs.1,40,482 (March 31, 2011: Rs.3,72,253) is secured by hypothecation of certain LCVs; (v) Cash credit/short term loan/Foreign currency loan/buyers 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; (vi) Goods loan facilities are secured by pledge of stock of cotton. (vii) All the above loans are guaranteed by three directors.

| Bank Name | As on March 31, 2012 | | | | Particulars of Repayment | As on March 31, 2011 | | | Rate of Interest % |
|---------------------------------------|----------------------|------------------|----------------|----------------------|--|----------------------|------------------|----------------|----------------------|
| | Non Current (Rupees) | Current (Rupees) | Total (Rupees) | Rate of Interest % | | Non Current (Rupees) | Current (Rupees) | Total (Rupees) | |
| b. Unsecured Loans: Fixed deposits | 5,23,36,000 | 98,68,000 | 6,22,04,000 | 9.00% to 12.5% | Repayable before 31.3.2013 : Rs.98.68 lakhs, Repayable before 31.3.2014 : Rs.314.76 lakhs Repayable before 31.3.2015 : Rs.208.60 lakhs | 4,64,94,000 | 1,68,74,000 | 6,33,68,000 | 9.00% to 12.5% |
| TOTAL | 5,23,36,000 | 98,68,000 | 6,22,04,000 | | | 4,64,94,000 | 1,68,74,000 | 6,33,68,000 | |

3.17 Employee benefits

(i) Defined Employee benefit plans - As per Actuarial valuation as on March 31, 2012

Rupees Lakhs

| | Gratuity (funded) | | | | Compensated absences (unfunded) | | | |
|---|-------------------|---------|---------|---------|---------------------------------|---------|---------|---------|
| | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
| A. Expenses recognised in the statement of profit and Loss Accounting for the year ended Mar 31, 2012 | | | | | | | | |
| (i) Current service cost | 14.40 | 11.05 | 12.32 | 10.90 | 1.02 | 1.00 | 0.97 | 0.87 |
| (ii) Interest cost | 9.90 | 8.47 | 7.24 | 6.01 | 9.40 | 9.12 | 8.18 | 7.56 |
| (iii) Expected return on plan assets | -6.81 | -4.98 | -3.69 | -4.64 | — | — | — | — |
| (iv) Net actuarial(gain)/loss recognised during the year | 14.10 | -4.97 | -7.90 | 15.84 | -7.53 | -6.61 | 2.53 | -0.67 |
| Total expenses | 31.59 | 9.58 | 8.07 | 28.11 | 2.89 | 3.51 | 11.68 | 7.76 |
| B. Actual return on plan assets | | | | | | | | |
| (i) Expected return on plan assets | 6.81 | 4.98 | 3.69 | 4.64 | — | — | — | — |
| (ii) Actuarial(gain)/loss on plan assets | 3.78 | 15.78 | 18.35 | -0.57 | — | — | — | — |
| (iii) Actual return on plan assets | 10.59 | 20.76 | 22.04 | 4.07 | — | — | — | — |

| Notes annexed to and forming part of the Financial Statements (contd.) | | | | | | | | | | | | |
|--|-------------------|---------|---------|---------|---------------------------------|---------|---------|---------|---------|---------|---------|---------|
| (i) Defined Employee benefit plans - As per Actuarial valuation as on March 31, 2012 | | | | | | | | | | | | |
| | Gratuity (funded) | | | | Compensated absences (unfunded) | | | | | | | |
| | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2011-12 | 2010-11 |
| C. Net asset/(liability) recognised in the balance sheet | | | | | | | | | | | | |
| (i) Present value of the obligation | 160.31 | 129.28 | 112.90 | 98.20 | 84.29 | 120.36 | 117.47 | 113.96 | 102.28 | 96.84 | | |
| (ii) Fair value of plan assets | 84.31 | 84.88 | 60.46 | 49.99 | 56.68 | - | - | - | - | - | | |
| (iii) Funded status (surplus/deficit) | -75.99 | -44.40 | -52.44 | -48.21 | -27.61 | -120.36 | -117.47 | -113.96 | -102.28 | -96.84 | | |
| (iv) Unrecognised past service cost | - | - | - | - | - | - | - | - | - | - | | |
| (v) Net Asset/(liability) recognised in the balance sheet | -75.99 | -44.40 | -52.44 | -48.21 | -27.61 | -120.36 | -117.47 | -113.96 | -102.28 | -96.84 | | |
| D. Change in Present value of the obligation during the year | | | | | | | | | | | | |
| (i) Present value of the obligation as at beginning of the year | 129.28 | 112.90 | 98.20 | 84.29 | 57.21 | 117.47 | 113.96 | 102.28 | 94.52 | 91.17 | | |
| (ii) Current service cost | 14.40 | 11.05 | 12.32 | 10.90 | 13.81 | 1.02 | 1.00 | 0.97 | 0.87 | 1.35 | | |
| (iii) Interest cost | 9.90 | 8.47 | 7.24 | 6.01 | 4.91 | 9.40 | 9.12 | 8.18 | 7.56 | 3.71 | | |
| (iv) Benefits paid | -11.16 | -13.96 | -15.42 | -18.27 | -1.57 | - | - | - | - | -0.34 | | |
| (v) Actuarial(gain)/loss on obligation | 17.89 | 10.82 | 10.54 | 15.27 | 9.93 | -7.53 | -6.61 | 2.53 | -0.67 | 0.95 | | |
| (vi) Present value of obligation as at end of the year | 160.31 | 129.28 | 112.90 | 98.20 | 84.29 | -20.36 | 117.47 | 113.96 | 102.28 | 96.84 | | |
| E. Change in assets during the year | | | | | | | | | | | | |
| (i) Fair value of plan assets as at beginning of the year | 84.88 | 60.46 | 53.84 | 61.68 | 47.34 | - | - | - | - | - | | |
| (ii) Expected return on plan assets | 6.81 | 4.98 | 3.69 | 4.64 | 4.52 | - | - | - | - | - | | |
| (iii) Contributions | - | 17.62 | - | 11.05 | 14.87 | - | - | - | - | - | | |
| (iv) Benefits paid | -11.16 | -13.96 | -15.42 | -22.96 | -1.57 | - | - | - | - | - | | |
| (v) Actuarial(gain)/loss on plan assets | 3.78 | 15.78 | 18.35 | -0.57 | -3.48 | - | - | - | - | - | | |
| (vi) Fair value of plan assets as at end of the year | 84.31 | 84.88 | 60.46 | 53.84 | 61.68 | - | - | - | - | - | | |
| F. Experience adjustments in | | | | | | | | | | | | |
| (i) Plan liabilities - loss(gain) | 17.89 | 10.82 | 10.54 | 15.27 | 9.93 | -7.53 | -6.61 | 2.53 | -0.67 | 0.95 | | |
| (ii) Plan assets - loss(gain) | 3.78 | 15.78 | 18.35 | -0.57 | -3.48 | - | - | - | - | - | | |

| Notes annexed to and forming part of the Financial Statements (contd.) | | | | | | | | | | | | |
|--|-------------------|---------|---------|---------|---------------------------------|----------|----------|----------|----------|----------|---------|---------|
| (i) Defined Employee benefit plans - As per Actuarial valuation as on March 31, 2012 | | | | | | | | | | | | |
| | Gratuity (funded) | | | | Compensated absences (unfunded) | | | | | | | |
| | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2011-12 | 2010-11 |
| G. Major categories of plan assets as a percentage of total plan | | | | | | | | | | | | |
| (i) Government of India securities | 6% | 6% | 6% | 15% | 20% | Unfunded | Unfunded | Unfunded | Unfunded | Unfunded | | |
| (ii) State Government Securities | 8% | 8% | 8% | 12% | 12% | - | - | - | - | - | | |
| (iii) High Quality Corporate bonds | - | - | - | 63% | 13% | - | - | - | - | - | | |
| (iv) Special Deposit Scheme | - | - | - | 10% | 9% | - | - | - | - | - | | |
| (v) Other (Bank deposits) | 46% | 37% | 41% | 0% | 46% | - | - | - | - | - | | |
| (vi) SBI Life insurance company | 40% | 49% | 45% | 0% | 0% | - | - | - | - | - | | |
| (vii) Total | 100% | 100% | 100% | 100% | 100% | - | - | - | - | - | | |
| H. Actuarial Assumptions | | | | | | | | | | | | |
| (i) Discount rate | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% | 8% | | |
| (ii) Salary escalation rate | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | | |
| (iii) Attrition rate | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | | |
| (iv) Expected return on plan assets | 8% | 8% | 8% | 8% | 8% | 0% | 0% | 0% | 0% | 0% | | |

In the above actuarial valuation the estimate 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 Statement of Profit and Loss: Salaries, wages and bonus include compensated absences of Rs.2,88,741 (2010-11 Rs.3,50,697)

Contribution to provident, gratuity and other funds include contribution to provident fund and family pension fund contribution of Rs.45,81,984 (2010-11 Rs.47,00,007) and gratuity fund of Rs.31,59,144 (2010-11 Rs.9,58,092).

Workmen and staff welfare expenses include contribution to employees state insurance of Rs.10,16,459 (2010-11 Rs.10,41,117)

3.18 During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its financial statements. Accordingly the Company has reclassified/regrouped/amended the previous year's figures in accordance with the requirements applicable in the current year.

Signatures to Statement of Accounting Policies and Notes to Financial Statements For and on behalf of the Board

Salem,
May 30, 2012

R. Selvarajan Chairman and Managing Director
S. Devarajan Director
S. Vijay Shankar Joint Managing Director

Kandagiri Spinning Mills Limited

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Pursuant to Part IV of Schedule VI to the Companies Act, 1956)

I Registration Details

Registration No: 181-000762

State Code: 18

Balance Sheet Date: 31-03-2012

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

1712419

Total Assets

1712419

Sources of Funds

Paid up capital Net 38575

Reserves and surplus 371685

Non-Current Liabilities 498402

Long-term provisions 12036

Deferred tax liability 118125

Current Liabilities 673596

Application of Funds

Net Fixed Assets 1191321

Investments 24500

Long-term loans and advances 97905

Other non-current assets 83

Current Assets 398610

IV Performance of Company (Rs.'000)

Turnover-net 1263797

Total expenditure-net 1467377

Profit(+)/Loss(-) before tax -200789

Profit(+)/Loss(-) after Tax -129789

Earnings per share -3372

Dividend rate NIL

V Generic 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

R. Selvarajan

Chairman and Managing Director

S. Devarajan

Director

S. Vijay Shankar

Joint Managing Director

Salem

May 30, 2012

Thirty Sixth Annual Report

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KANDAGIRI SPINNING MILLS LIMITED

Registered Office: Mill Premises, Udayapatti P.O., Salem 636 140.

ATTENDANCE SLIP

Please complete this Attendance Slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the thirty sixth Annual General Meeting of the Company held at the Mill Premises of Sambandam Spinning Mills Limited in Kamaraj Nagar Colony, Salem-636 014 on Monday, the 13th August 2012 at 11.30 a.m.

Member's Name & Address :

Folio / DP ID / Client ID No.

No. of Shares

Proxy's Name

Signature of the Attending Member / Proxy



KANDAGIRI SPINNING MILLS LIMITED

Registered Office: Mill Premises, Udayapatti P.O., Salem 636 140.

PROXY FORM

I/We of
being a Member(s) of Kandagiri Spinning Mills Limited, hereby appoint Sri/Smt.....

..... of or failing him / her, Sri/Smt.....

of as my/our proxy to vote for me/us on my/our behalf at the thirty sixth Annual General Meeting of the Company to be held on Monday, the 13th August 2012 at 11.30 a.m. at the Mill Premises of Sambandam Spinning Mills Limited in Kamaraj Nagar Colony, Salem-636 014 and at any adjournment thereof.

Signed this day of August 2012.

Address :

Folio No. :

DP ID No. :

Client ID No. :

No. of Shares

Signature.....

Member's Name :

Affix
15 Paise
Revenue
Stamp

N.B. : 1 This proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting. (i.e.) before 11.30 am on 11.08.2012. 2. Proxy need not be a member. 3. Attendance slip should be sent to the proxy appointed by the member and not to the Company. 4. Strike out blank space not used. 5. Members should sign the proxy form duly affixing 15 Paise Revenue Stamp. Unstamped or unsigned proxy is invalid and is liable for rejection. 6. A shareholder may vote either for or against each resolution [clause 34(g) of listing agreement].