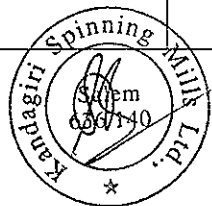


QUARTERLY COMPLIANCE REPORT ON CORPORATE GOVERNANCE

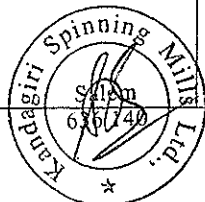
Name of the Company: **KANDAGIRI SPINNING MILLS LTD., UDAYAPATTI (P.O), SALEM 636 140**

Quarter ended: 31-12-2011

Particulars	Clause of Listing Agreement	Compliance status Yes/No	Remarks
I. BOARD OF DIRECTORS	49 I	YES	
A) Composition of Board	49 (IA)	YES	Board of Directors of our Company consists of EIGHT Directors of whom FOUR are independent Directors. Thus, the Company has complied with the requirement of 50% directors to be Independent Directors as per Clause 49 of the Listing Agreement.
B) Non-executive Directors' compensation and disclosure	49 (IB)	YES	Non-Executive directors including the Independent Directors do not receive any remuneration except sitting fees for attending meetings of the Board/Committee. Details of all such payments are disclosed in relevant Reports being sent to our shareholders.
C) Other provisions as to Board and Committees	49 (IC)	YES	During the Financial Year commencing 1 st April 2011 THREE Board meetings were held on 23-05-2011, 12-08-2011 and 29-10-2011. FOUR Audit Committee Meetings were held on 15.04.2011, 22.05.2011, 11-08-2011 and 28-10-2011. Information such as Capital Budgets, Annual Operating Budgets, Quarterly and Annual Financial Results are duly reviewed and confirmed by the Audit Committee. Minutes of the Audit Committee and other Committee Meetings, duly reviewed and confirmed by the respective Committees are being placed before the Board at every subsequent Board Meeting.
D) Code of conduct	49 (ID)	YES	Code of Conduct for Board Members and Senior Management as approved by the Board are being followed.
II. AUDIT COMMITTEE	40 (II)		
A) Qualified and Independent Audit Committee	49 (IIA)	YES	Audit Committee has five Directors as members of the Committee of which four are Independent Directors and all of them are financially literate and have accounting / financial / management expertise.



Particulars	Clause of Listing Agreement	Compliance status Yes/No	Remarks
B) Meeting of Audit Committee	49 (IIB)	YES	Audit Committee met on 15.04.2011, 22.05.2011, 11-08-2011 and 28.10.2011 during the financial year 2011-12.
C) Powers of Audit Committee	49 (IIC)	YES	Audit Committee exercises the powers enumerated in Clause 49 II (C) of the Listing Agreement and Section 292A of the Companies Act, 1956 to the extent necessary.
D) Role of Audit Committee	49 (IID)	YES	Audit Committee oversees the Company's financial reporting process, reviews quarterly / annual financial statements disclosure of financial information, and related party transactions and other relevant matters.
E) Review of Information by Audit Committee	49 (IIE)	YES	Audit Committee reviews all relevant information.
III. SUBSIDIARY COMPANIES	49 (III)	Not Applicable	This Company has no subsidiary Company– Hence compliance of this sub-clause is not applicable.
IV. DISCLOSURES	49 (IV)		
A) Basis of related party transactions	49 (IV A)	YES	Disclosures regarding Related Party Transactions are being placed before every Audit Committee Meeting and also at every Board Meeting.
B) Disclosure of Accounting Treatment	49 (IV B)	YES	Financial Statements are being prepared in accordance with the Accounting Standards.
C) Board Disclosures	49 (IV C)	YES	This has been done at the time of submission of draft Annual Report for the year 2010-2011 to the Board at the Board Meeting held on 23.05.2011.
D) Proceeds from Public Issues, Rights Issues, Preferential Issues etc.	49 (IV D)	Not applicable	NIL
E) Remuneration of Directors	49 (IV E)	YES	This is being attended to by the Remuneration Committee as and when necessary. During the year 2009-10 one meeting of the Remuneration Committee was held on 30-07-2009. At that meeting reappointment of CMD and JMD for three years from 01.10.2009 to 30.09.2012 and payment of the same remuneration (as was paid earlier) was recommended by the Remuneration Committee which was accepted and approved by the Board of Directors and by Members by passing Special Resolutions at the AGM held on 23.09.2009.

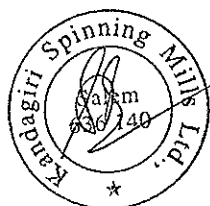


Particulars	Clause of Listing Agreement	Compliance status Yes/No	Remarks
F) Management	49 (IV F)	YES	Management discussion and analysis are being published ever year in the Annual Reports being sent to our shareholders.
G) Shareholders	49 (IV G)	YES	Requisite information is being provided to our shareholders at the time of appointment / re-appointment of Directors through Annual Report and Notice of the AGM. There exists a share holders' / Investors' Grievance Committee under the Chairmanship of an Independent Director. Share transfers etc. are being looked after by the Company's Registrars and Transfer Agents, who are attending to Share transfer formalities expeditiously. Details of the transfers effected by the Registrars and Share Transfer Agents are submitted periodically to the Share Transfer Committee of the Board and to the Board of Directors of the Company.
V. CEO / CFO CERTIFICATION	49 (V)	YES	This is being done at the Board Meetings.
VI. REPORT ON CORPORATE GOVERNANCE	49 (VI)	YES	This has been published in the Company's Annual Report for 2010-11. Quarterly Reports are being submitted to the Listed Stock Exchanges within the prescribed time.
VII. COMPLIANCE	49 (VII)	YES	This is being done in accordance with the Provisions of Law, applicable Rules and Regulations for the time being in force. For instance, in accordance with the directions contained in SEBI's circular No.CIR/OIAE/2/2011 dated 3.6.2011 regarding implementation of 'SEBI Complaints Redress System' (SCORES) a separate Login ID has been created on 23.9.2011 for uploading in SCORES, Action Taken Reports (ATR) on redressal of Investors Complaints.

Note: As regards the amendment to the Listing Agreement – Clause 49, communicated vide your circular letter No.DCS/COMP/Cir-49/369/2008 based on SEBI's circular No.SEBI/CFD/DIL/CG/2/2008/23/10, dt.23-10-2008, we hereby confirm that none of the Promoter Directors of our Company is either a Listed entity or unlisted entity. All the Promoter Directors of our Company are only individuals. Therefore the amendment will have no consequence to our Company.

Place: Salem

Date : 09/01/2012



for KANDAGIRI SPINNING MILLS LIMITED

(Signature)
(S. Vijay Shankar)
Compliance Officer