



KANDAGIRI SPINNING MILLS LIMITED

Corporate Identity Number (CIN) : L17111TZ1976PLC000762

Registered Office: POST BAG NO.3, UDAYAPATTI P.O., SALEM – 636 140

Tel : 0427 2244400 Fax : 0427 2244422

Email : sales@kandagirimills.com

Website : www.kandagirimills.com

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Thirty Eighth Annual General Meeting of the Company will be held at the Mill Premises of Sambandam Spinning Mills Limited at Kamaraj Nagar Colony, Salem 636014 on Sunday, **the 28th September, 2014 at 11.30 a.m** to transact the following business:

ORDINARY BUSINESS

Item Adoption of Financial Statements

- No.1 To receive, consider and adopt the Audited Balance Sheet as at March 31, 2014 and the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date together with the notes annexed thereto and the reports of the Directors and the Auditors thereon.

Item Appointment of Sri S.Devarajan, Director Retiring by Rotation

- No.2 To appoint a director in the place of Sri S.Devarajan (holding DIN 00001910) who retires by rotation and being eligible, offers himself for re-appointment.

Item Appointment of Statutory Auditors

No.3 NOTE

M/s. M.S.Krishnaswami & Rajan, Chartered Accountants (Firm Registration No.01554S) was appointed as Statutory Auditors of the Company at the last (37th) Annual General Meeting of the Company held on 14.8.2013 to hold office till the conclusion of this annual general meeting. As per Section 139(2) of the Companies Act, 2013, a listed Company can appoint a firm of auditors for not more than two terms of five years each. M/s. M.S.Krishnaswami & Rajan have been the statutory auditors of the Company for more than ten years. However, the Act provides a period of three years from the date of enforcement of this section (i.e. from 1.4.2014) to comply with this requirement. M/s. M.S.Krishnaswami & Rajan have confirmed their eligibility and willingness to be appointed for one more year. Board recommends their appointment as statutory auditors of the Company for approval of the members.

RESOLUTION

“RESOLVED THAT, pursuant to the provisions of section 139(2) and other applicable provisions, if any, of the Companies Act 2013 and the rules framed there under (including any statutory modification(s) or re-enactment thereof for the time being in force), M/s. M.S.Krishnaswami & Rajan, Chartered Accountants (Firm registration No.01554S) be and they are hereby re-appointed as Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting for the financial year 2014-15 on a remuneration of Rs.3,70,000/- (Rupees Three Lakhs and Seventy thousand only) excluding the out of pocket expenses that may be incurred by them in connection with the audit and excluding the applicable service tax

SPECIAL BUSINESS

Item Approval for Continuation of Sri R.Selvarajan as Chairman and Managing Director

- No.4 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 Section 196 and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder (including any amendment thereto or enactment thereof for the time being in force), consent be and is hereby accorded for the continuation of Sri R. Selvarajan as Chairman and Managing Director on the existing terms and conditions for his remaining period i.e., up to 30.09.2015, as approved by the Board of Directors on the recommendation of the Nomination and Remuneration Committee.

SPECIAL BUSINESS (Contd.)

Item Appointment of Sri P.S.Ananthanarayanan as a Non-Executive Independent Director

No.5 To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Sri P.S. Ananthanarayanan (holding DIN 00001759), a non-executive director of the Company who has submitted a declaration that he meets the criteria for independence as provided in section 149(6) of the Act, and in respect of whom the Company has received a notice in writing from a member under section 160 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Non-Executive Independent Director of the Company not liable to retire by rotation to hold office for a period of five consecutive years from the date of this AGM till the conclusion of the 43rd AGM of the Company”.

Item Appointment of Dr. V.Gopalan as a Non-Executive Independent Director

No.6 To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Dr. V. Gopalan (holding DIN 00018602), a non-executive director of the Company who has submitted a declaration that he meets the criteria for independence as provided in section 149(6) of the Act, and in respect of whom the Company has received a notice in writing from a member under section 160 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Non-Executive Independent Director of the Company not liable to retire by rotation to hold office for a period of five consecutive years from the date of this AGM till the conclusion of the 43rd AGM of the Company”.

Item Appointment of Sri N.Asoka as a Non-Executive Independent Director

No.7 To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Sri N.Asoka (holding DIN 00127155), a non-executive director of the Company who has submitted a declaration that he meets the criteria for independence as provided in section 149(6) of the Act, and in respect of whom the Company has received a notice in writing from a member under section 160 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Non-Executive Independent Director of the Company not liable to retire by rotation to hold office for a period of five consecutive years from the date of this AGM till the conclusion of the 43rd AGM of the Company”.

Item Appointment of Sri S.Gnanasekharan as a Non-Executive Independent Director

No.8 To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Sri S.Gnanasekharan (holding DIN 06796817), a non-executive director of the Company who has submitted a declaration that he meets the criteria for independence as provided in section 149(6) of the Act, and in respect of whom the Company has received a notice in writing from a member under section 160 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Non-Executive Independent Director of the Company not liable to retire by rotation, to hold office for a period of five consecutive years from the date of this AGM till the conclusion of the 43rd AGM of the Company”.



SPECIAL BUSINESS (Contd.)

Item Appointment of Sri Kameshwar M. Bhat as a Non-Executive Independent Director

No.9 To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013. Sri Kameshwar M. Bhat (holding DIN 06951906), who has submitted a declaration that he meets the criteria for independence as provided in section 149(6) of the Act, and in respect of whom the Company has received a notice in writing from a member under section 160 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Non-Executive Independent Director of the Company not liable to retire by rotation, to hold office for a period of five consecutive years from the date of this AGM till the conclusion of the 43rd AGM of the Company.”

Item Appointment of Dr. A.Sarayu as a Non-Executive Director

No.10 To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act 2013 (the Act) and the Rules framed there under (including any statutory modification(s) or re-enactment thereof for the time being in force) Dr. A.Sarayu (holding DIN 06953362), and in respect of whom the Company has received a notice in writing from a member under section 160 of the Act proposing her candidature for the office of Director be and is hereby appointed as non-executive director of the Company.

Item Appointment of Sri M.Rajamani as a Non-Executive Director

No.11 To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act 2013 (the Act) and the Rules framed there under (including any statutory modification(s) or re-enactment thereof for the time being in force) Sri M. Rajamani (holding DIN 00001930), and in respect of whom the Company has received a notice in writing from a member under section 160 of the Act proposing his candidature for the office of Director be and is hereby appointed as non-executive director of the Company.”

Item Authorising Board of Directors for creation of charge/mortgage on the properties of the Company

No.12 To consider and if thought fit to pass with or without modification the following resolution as a SPECIAL RESOLUTION:

Resolved that in supersession of the ordinary resolution passed at the 31st Annual General Meeting held on 6th July, 2007 and pursuant to the provisions of section 180(1)(a) and other applicable provisions, if any, of the Companies act, 2013, and the rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any committee thereof) to mortgage / pledge/hypothecate/ create charge on all the immovable and movable properties and all such assets of the company wherever situate, present and future and/or with power to enter upon and take possession of the assets of the company in certain events on such terms and conditions and at such time or times and in such form or manner as it may think fit, to or in favour of the financial institutions/banks for an aggregate nominal value not exceeding Rs.300,00,00,000/- (Rupees Three Hundred crores only) to secure the term loans together with interest, costs, charges, expenses and all other monies payable in the above connection in terms of the agreement entered or to be entered into between the company and the financial institutions/ banks, such that the security ranks pari passu with, or second or subservient to, the mortgages / pledges / hypothecations /charges already created or to be created by the company or in such manner as may be agreed to by/between the parties concerned and as may be thought expedient by the Board.



SPECIAL BUSINESS (Contd.)

RESOLVED FURTHER that the Board be and is hereby authorized to finalize and execute such documents, deeds, papers and writings for creating the aforesaid mortgages / pledges / hypothecations / charges / and to do all such deeds and things as may be necessary or expedient for implementing this resolution."

Item Authorising the Board of Directors for the borrowings

No.13 To consider and if thought fit to pass with or without modification the following resolution as a SPECIAL RESOLUTION:

"RESOLVED that in supersession of the ordinary resolution passed at the 31st Annual General Meeting held on 6th July, 2007 and pursuant to the provisions of Section 180(1)(c) and other applicable provisions, if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee thereof) for borrowing, from time to time, such sums of money as the Board may deem fit for the purpose of the business of the company, notwithstanding that the moneys to be borrowed together with the monies already borrowed (apart from temporary loans obtained from the company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, the reserves not set apart for any specific purpose, provided that the total amount up to which the monies may be borrowed by the Board of Directors of the Company shall not exceed the aggregate of the paid-up capital and free reserves of the company by more than a sum of Rs.300,00,00,000/- (Rupees Three Hundred Crores only) at any one time.

RESOLVED FURTHER that the Board be and is hereby authorised, on behalf of the Company, to do all such acts, deeds and things, to execute all such documents, instruments in writing as may be required, in its absolute discretion, pursuant to the above resolution."

Item Alteration of Memorandum of Association of the Company

No.14 To consider and if thought fit to pass with or without modification the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT the Memorandum of Association of the Company be and is hereby amended by inserting the following clauses as clause 11A and clause 11B after clause 11 under III-B – **THE OBJECTS INCIDENTAL OR ANCILLARY TO THE ATTAINMENT OF THE MAIN OBJECTS:**

11A To take or otherwise acquire and hold shares in any other company having objects altogether or in part similar to those of this Company or carrying on any business capable of being conducted so as to directly or indirectly benefit the Company

11B To invest in the share capital of new or existing Company or Companies or joint venture(s) for carrying out such activity or activities, at such time or times as considered appropriate by the Board of Directors of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such action as may be necessary to give effect to the above."

Item Alteration of Articles of Association of the Company

No.15 To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT the Articles of Association of the Company be and is hereby amended as specified hereunder:

(a) The following article be added as Article 13 A after Article 13:

13A The Company may purchase its own shares in accordance with the provisions of section 68 and other applicable provisions if any of the Companies Act, 2013 and the rules framed there under (including any statutory modification(s) or re-enactment(s) thereof for the time being in force).



SPECIAL BUSINESS (Contd.)

(b) The following article be added as Article 27A after Article 27:

27A An individual shall be appointed or reappointed to or hold the position of Chairman and also its Managing director or Chief Executive Officer (as the case may be) at the same time.

(c) The following article be added as Article 55 after Article 54:

55 Wherever reference to Sections, Schedules, Chapters, Tables, Rules and Regulations under the provisions of the Companies Act 1956 are quoted in this Articles of Association, the same are deemed to be substituted with the corresponding Sections, Schedules, Chapters, Tables, Rules and Regulations under the provisions of the Companies Act 2013 and the rules framed thereunder including any statutory modification(s) or re-enactment(s) thereof for the time being in force.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such action as may be necessary to record the above amendments in the Articles of Association of the Company."

Item Ratification of the Remuneration Payable to Cost Auditors

No.16 To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT the remuneration of Rs.2,50,000/- (Rupees Two lakhs Fifty thousand only) payable for audit of cost accounts of the Company for the financial year ending 31st March 2015 to M/s. S. Mahadevan & Co., Cost Accountants as recommended by the Audit Committee and approved by the Board of Directors of the Company pursuant to section 148 of the Companies Act 2013 read with rule 14 and other applicable rules of the Companies (Audit and Auditors) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) excluding the out of pocket expenses that may be incurred by them in connection with the audit and excluding the applicable service tax be and is hereby ratified.

RESOLVED FURTHER THAT the Board of directors of the Company be and is hereby authorised to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

Item Acceptance of Fixed Deposits from the Members of the Company

No.17 To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to accept deposits from the members of the Company in accordance with the provisions of Section 73(2) and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed there under (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) duly observing the procedure for accepting deposits from the members of the Company and within the limits prescribed thereunder."

By order of the Board

Place: Salem

J.Asifa

Date : August 13, 2014

Company Secretary

NOTES :

1. A Member entitled to attend and vote is entitled to appoint proxy/proxies to attend and vote instead of himself/ herself and the proxy need not be a Member. Please read the instructions printed overleaf the Proxy Form attached to this notice before using the Form. The right of e-voting and Postal Ballot Form shall not be exercised by a Proxy
2. The explanatory statement of material facts pursuant to Section 102 of the Companies Act, 2013 in respect of special business set out under Items No. 4 to 17 of the Notice is annexed hereto.



3. The Register of Members and the Share Transfer Books of the Company will remain close from Thursday 18th September 2014 to Sunday 28th September 2014 (both days inclusive).
4. Members holding shares in physical form 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.

In case of shareholders holding shares in demat form, all such intimations are to be sent to their respective Depository Participants (DPs).

Members can also submit their grievances direct to the Company at the following email ID:

sales@kandagirimills.com ksmcs@kandagirimills.com

5. 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.
6. As per the provisions of the Companies Act, facility for making nominations is available to individuals holding shares in the Company. The prescribed nomination form can be obtained from the RTA / Depository Participants.
7. As per the provisions of Section 205A of the Companies Act, 1956, and Section 124(5) of the Companies Act, 2013, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account of the Company shall be transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India. Accordingly, the Company has transferred to IEPF all unclaimed / unpaid dividends declared up to the financial year 2006-07.

Pursuant to the provisions of Investor Education and Protection Fund (uploading of information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012 the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 14th August 2013 (date of last AGM) on the website of the Company (www.kandagirimills.com) as also on the website of the Ministry of Corporate Affairs. Shareholders can ascertain the status of their unclaimed amounts from these websites.

8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market for registering transfers, transpositions, transmissions etc. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the RTA, Cameo Corporate Services Limited, at 'Subramaniam Building', No.1, Club House Road, Chennai – 600 002.
9. Additional information pursuant to clause 49 of the Listing agreement with the stock exchanges in respect of Directors seeking appointment at the AGM are furnished and forms part of the Notice. The Directors have furnished the requisite consents / declarations for their appointment(s).
10. 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 member's communication 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.
11. Members who have not so far dematerialized their shares are advised to demat the shares held in physical form which will ensure safety and security for their shares

12 VOTING THROUGH ELECTRONIC MEANS

Pursuant to Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules 2014, the Company is pleased to offer e-voting facility to the members to cast their votes electronically on all Resolutions set forth in the Notice convening the 38th AGM. The Company has engaged the services of Central Depository Securities Limited (CDSL) for this purpose.



The voting period begins on **22.09.2014 at 9.15 a.m and ends on 24.09.2014 at 6.30 p.m.** During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on 14.08.2014 (cut-off date), may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

Instructions for members for voting electronically are as under:-

In case of members receiving e-mail:

- (i) Log on to the e-voting website www.evotingindia.com
- (ii) Click on "Shareholders" tab.
- (iii) Now, select the "COMPANY NAME" "KANDAGIRI SPINNING MILLS LIMITED" from the drop down menu and click on "SUBMIT"
- (iv) Now Enter your User ID (For CDSL: 16 digits beneficiary ID, For NSDL: 8 Character DP ID followed by 8 Digits Client ID, Members holding shares in Physical Form should enter Folio Number registered with the Company and then enter the Captcha Code (image verification) as displayed and Click on Login.
- (v) If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used. If you are a first time user follow the steps given below.
- (vi) Now, fill up the following details in the appropriate boxes:

	For Members holding shares in Demat Form or in Physical Form
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) * Members who have not updated their PAN with the Company / RTA / DP are requested to use the first two letters of their name and the sequence number in the 'PAN field'. The S.L.No. printed on your address slip pasted on the Annual Report envelope added with sufficient 0s in between the first two letters of your name and the S.L.No. to fill the ten digit PAN field for this purpose, Example: If your name is Ramesh with S.L.No. 00003615 then enter RA00003615 in the 'PAN field'. If the name is V.K.Mohan with S.L.No. 00000005, enter VK00000005 in the 'PAN field'.
Date of Birth (DOB)	Enter the Date of Birth (as recorded in your demat account or in the Company records for the said demat account or folio) in dd/mm/yyyy format.
Dividend Bank Details #	Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio.

Please enter any one of the details in order to login. In case both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field

- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (ix) Click on the EVSN for the relevant <Company Name> "KANDAGIRI SPINNING MILLS LIMITED" on which you choose to vote.
- (x) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xi) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.



- (xii) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xiii) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xiv) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xv) If Demat account holder has forgotten the changed password then Enter the User ID and Captcha Code click on Forgot Password & enter the details as prompted by the system.
- (xvi) Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates. After receiving the login details they have to link the account(s) which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.
- (xvii) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

In case of members receiving the physical copy:

- (A) Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.
- (B) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com

13 VOTING THROUGH POSTAL BALLOT

In terms of Clause 35B of the Listing Agreement, those Members, who do not have access to e-voting facility provided by the Company for the AGM in terms of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, may send their assent (FOR) or dissent (AGAINST) in writing on the Postal Ballot Form enclosed with the notice. For details of the scrutinizer and the steps followed for voting through postal ballot please refer instructions printed overleaf the postal ballot form.

IMPORTANT NOTE:

AS THE COMPANY BEING A LISTED COMPANY, E – VOTING / POSTAL BALLOT FACILITY IS PROVIDED TO THE MEMBERS OF THE COMPANY. HENCE VOTING BY SHOW OF HANDS OR POLL WILL NOT BE AVAILABLE TO THE MEMBERS AT THE 38TH AGM.

Item EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 FOR ITEMS No.4 to 17

No.4 CONTINUATION OF SRI R.SELVARAJAN, CHAIRMAN AND MANAGING DIRECTOR

Sri R. Selvarajan had been appointed as the Chairman and Managing director of the Company on a monthly remuneration of Rs. 3,00,000/- (inclusive of perquisites and allowances) for a period of three years from 01.10.2012 to 30.09.2015 by way of special resolution passed by the shareholders at the AGM held on 12th August, 2012. Section 196 of the Companies Act, 2013 stipulates that an individual shall not be continued as Managing Director, if he attains the age of 70 years, unless it is approved by the shareholders by passing a special resolution. Sri R. Selvarajan will be attaining the age of seventy on 01.10.2014. Hence a special resolution has to be passed for his continuation as Chairman and Managing director of the Company for his remaining tenure i.e., upto 30.09.2015.

Nomination and Remuneration Committee at its meeting held on 13th August 2014 recommended to the Board that Sri R. Selvarajan be continued as Chairman and Managing director for his remaining tenure on the existing terms and conditions which is in the interest of the company considering his experience. Sri R.Selvarajan has been serving the Company as Chairman and Managing Director for the past 12 years. He has been on the Board of various companies and has more than four decades of experience in the field of textiles. His vast experience and knowledge provides an invaluable contribution to the company. Hence his continued association would be of immense benefit to the Company. The Board has approved and commends passing of the resolution.



Item EXPLANATORY STATEMENT FOR ITEMS No.4 to 17 (Contd.)

Except Sri R. Selvarajan, interested director and Sri S. Vijay Shankar, relative to the interested director, no other director or Key Managerial Personnel or their relatives are concerned or interested in this Resolution

No.5 APPOINTMENT OF INDEPENDENT DIRECTOR

- to 8 Pursuant to the provisions of clause 49 of the listing agreement, Company had appointed Sri P.S. Anathanarayanan, Dr. V.Gopalan, Sri N.Asoka and Sri S. Gnanasekharan as Independent Directors of the Company, whose period of office is liable to determination by retirement of directors by rotation under the applicable provisions of the Companies Act, 1956. As per the provisions of Section 149 of the Companies Act, 2013 which came into effect from April 1, 2014, Independent directors shall hold office for a term of five consecutive years and they are not liable to retire by rotation.

The Nomination and Remuneration Committee at its meeting held on 13th August, 2014 has recommended the appointment of these directors as Independent directors for a period of five consecutive years from the date of the ensuing AGM of the Company. The Company has received notice from the members along with the requisite deposit amount under section 160 of the Companies Act, 2013 proposing the candidature of the aforesaid directors for the office of Independent director. The company has also received from the aforesaid directors, a declaration to the effect that they meet the criteria of independence as provided under section 149(6) of the Companies Act, 2013. Accordingly, Board places the resolution for the appointment of these directors as Independent directors before the members for their approval. Details of the directors to be appointed as required under clause 49 of the listing agreement is given in the annexure.

Except the directors to whom the respective resolution relates, no other director or Key Managerial Personnel or their relatives are concerned or interested in the resolutions.

No.9 APPOINTMENT OF SRI KAMESHWAR M.BHAT, INDEPENDENT DIRECTOR

Company has received a notice from a member u/s 160 of the Act together with the requisite deposit amount proposing the appointment of Sri Kameshwar M. Bhat as an independent director of the Company. Sri Kameshwar M. Bhat was the Assistant General Manager of Karnataka Bank Ltd. He took voluntary retirement from the Bank after serving 23 years in that bank. Sri Kameshwar M. Bhat expressed his willingness to be an independent director on the board of directors of the Company for a term of five years, if appointed. His vast experience in the bank for over two decades will be of great support to the Company. He is not holding any shares in the Company. Nomination and Remuneration Committee at its meeting held on 13th August, 2014 considered his candidature for appointment as an independent director on the board of directors of the Company and recommended to the Board to include his appointment in the notice of the ensuing AGM of the Company. Accordingly Board commends the resolution for the approval of members.

None of the directors or Key Managerial Personnel or their relatives are concerned or interested in the resolution

No.10 APPOINTMENT OF DR. A.SARAYU, NON-EXECUTIVE DIRECTOR

As per the provisions of Section 149 of the Companies Act 2013 and Clause 49 of the listing agreement all listed companies should have at least one woman director on the Board of Directors of the Company. Notice under Section 160 of the Act has been received from a member together with the requisite deposit amount proposing the appointment of Dr. A. Sarayu as a director of the Company. She holds 53,090 equity shares in the Company. Nomination and Remuneration Committee at its meeting held on 13th August, 2014 considered appointing Dr. A. Sarayu who is related to Sri R. Selvarajan, Chairman and Managing Director and Sri S. Vijay Shankar, Director & Chief Financial Officer of the Company and recommended to the Board to include her appointment in the notice of the ensuing AGM of the Company. No other director or Key Managerial Personnel or their relatives are interested in the appointment of Dr. A.Sarayu. Accordingly Board commends the resolution set out under item No.10 for the approval of members.

No.11 APPOINTMENT OF SRI M. RAJAMANI, NON-EXECUTIVE DIRECTOR

Company has received a notice from a member u/s 160 of the Act together with the requisite deposit amount proposing the appointment of Sri M. Rajamani as a director of the Company. Sri M.Rajamani is an Industrialist. He had been a director of the Company for three years from the year 2008 to 2011. He has vast experience in textile trade for over two decades. He holds 1,22,067 equity shares of the Company. Accordingly Board places the resolution for approval. None of the Directors, Key Managerial Personnel or their relatives are concerned or interested in the resolution.



Item **EXPLANATORY STATEMENT FOR ITEMS No.4 to 17 (Contd.)**

No.12 AUTHORISING BOARD OF DIRECTORS FOR CREATION OF CHARGE/MORTGAGE ON THE PROPERTIES OF THE COMPANY

The Shareholders of the Company had at the annual general meeting of the Company held on 6th July 2007 passed a ordinary resolution under section 293(1)(a) of the Companies Act, 1956, authorising the Board to mortgage/pledge/hypothecate/create charge on all movable and immovable properties of the company in favour of banks/financial institutions up to the maximum amount of Rupees Three Hundred Crore. According to the provisions of Section 180(1)(a) of the Companies Act, 2013 the Board of Directors has to obtain the consent of the Company by way of passing a special resolution to mortgage or to create charge on assets of the company in favour of financial institutions and banks. Hence Board places the resolution before the members for approval by passing special resolution. None of the directors, Key Managerial Personnel of the Company and their relatives are concerned or interested in the proposed resolution.

No.13 AUTHORISING THE BOARD OF DIRECTORS FOR THE BORROWINGS

The Shareholders of the Company had at the annual general meeting of the Company held on 6th July 2007 passed a ordinary resolution under section 293(1)(d) of the Companies Act, 1956, fixing the maximum amount of Rupees Three Hundred Crore, upto which the Board of Directors of the Company could borrow funds from financial institutions and banks in excess of the Company's paid-up capital and free reserves. According to the provisions of Section 180(1)(c) of the Companies Act, 2013 the Board of Directors has to obtain the consent of the Company by way of passing a special resolution to borrow funds from financial institutions and banks in excess of the Company's paid-up capital and free reserves. Hence Board places the resolution before the members for approval by passing special resolution. None of the directors, Key Managerial Personnel of the Company and their relatives are concerned or interested in the proposed resolution.

No.14 ALTERATION OF MEMORANDUM OF ASSOCIATION OF THE COMPANY

The proposed resolution for amendment of the Memorandum of Association is to include an enabling provision in the Memorandum of Association of the Company to enable the Company to make investment in the share capital of an existing Company or a new Company to be formed as a joint venture for improving the bussiness prospects of the Company and for rendering effective service to the society. Board of directors commends the resolution for members' approval. None of the Directors is interested or concerned in this resolution.

No.15 ALTERATION OF ARTICLES OF ASSOCIATION OF THE COMPANY

The proposed resolution for amendment of the Articles of Association is to include enabling provisions in the Articles of Association of the Company for (a) purchase of the Company's shares in accordance with the provisions of the Companies Act, 2013 and the Rules framed there under as deemed appropriate by the Board of Directors of the Company; (b) to provide that the Managing Director of the Company can also be Chairman of the Company, in accordance with the provisions of the Companies Act, 2013 and the Rules framed there under in the opinion of the Board of Directors of the Company; and (c) to record the change in the reference to various Sections, Chapters, Schedules, Tables, Rules and Regulations as stated in the Companies Act 1956 which is replaced by the Companies Act 2013 as and when the relevant Sections, Chapters, Schedules, etc are enforced by the Ministry of Corporate Affairs (MCA). None of the directors of the Company, except the Managing Director and other directors holding shares in the Company to the extent of their shareholding, is interested in the resolution.

No.16 RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITORS

As recommended by the Audit Committee at the Audit Committee Meeting held on 29th May 2014, board of directors have approved the appointment of M/s. S.Mahadevan & Co., Cost Accountants for audit of the Cost accounts of the Company on payment of remuneration of Rs.2,50,000/- (excluding out of pocket expenses and service tax) for the financial year ending 31st March 2015. Board of directors has accepted the recommendation of the Audit committee and approved their appointment. As per the provisions of Section 148 of the Companies Act 2013 and Rule 14 of the Companies (Audit and Auditors) Rules 2014, remuneration payable to the cost auditor as approved by the Board of directors of the Company shall be ratified by the shareholders. Accordingly, Board places the resolution before the members for ratification of the remuneration as stated in the resolution. None of the directors or Key Managerial personnel or their relatives are concerned or interested in the resolution.



Item **EXPLANATORY STATEMENT FOR ITEMS No.4 to 17 (Contd.)**

No.17 ACCEPTANCE OF DEPOSITS FROM MEMBERS OF THE COMPANY

Section 73(2) of the Companies Act 2013 prescribes that approval of the members by passing a resolution at the General Meeting is required for the Board of Directors to accept deposits from the shareholders of the Company. However, the Act read with the rules framed thereunder prescribes certain procedure to be followed by the Company before accepting deposits from the members. After securing the approval of members at the AGM, board will decide about the timing for accepting deposits from the members after complying with the prescribed procedure in this regard. Accordingly, Board recommends the resolution for the approval of the members. None of the directors or Key Managerial Personnel or their relatives are concerned or interested in the resolution. Memorandum of Association and Articles of Association of the Company and other documents referred to in this notice are available at the registered office of the Company for inspection by members during business hours on working days.

Place: Salem

Date : August 13, 2014

By order of the Board

J.Asifa

Company Secretary

Disclosure under Clause 49 of the listing agreement in respect of Directors seeking appointment at the 38th AGM

Name of Director	Sri R.Selvarajan	Sri S.Devarajan	Sri M. Rajamani	Dr. A.Sarayu	Mr. P.S. Ananthanarayanan
DIN	00001703	00001910	00001930	06953362	00001759
Date of Birth	1-10-1944	12-09-1949	2-1-1931	10-03-1976	15-2-1935
Date of Appointment	23-10-2002	1979 AGM	1979 AGM	to be appointed at AGM	23-10-2002
Qualification	Matriculate	B.Sc.	Matriculate	M.B.B.S, M.S, (O & G)	B.Ch.E, FCMA., A.M.I.I.Ch.E., M.C.M.I.
Expertise in specific functional areas	He became the Chairman and Managing Director of the Company on 23rd October, 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 textile industry. At present he is Director in SPMM Health Care Services Pvt. Ltd.	He is an Industrialist and he is the son of promoter Director Sri S.P. Sambandam. He was first appointed to the Board at the Annual General Meeting held in 1979 and has since been reappointed over the years by rotation. At present he is the Managing Director of Sambandam Spinning Mills Limited and SPMM Health Care Services Pvt. Ltd.	He is an industrialist and he is the son of Promoter, Sri K.R. Manicka Mudaliar. He is also a Director in Sambandam Investment and Leasing Limited. He has more than three decades of experience in the field of textiles.	She is a Medical Practitioner	He is a Chemical Engineer and a Cost and Management Accountant. He has over forty seven years of experience in various Companies before his retirement as Executive Director of Balmer Lawrie & Co, Ltd.
Directorships in other Companies	1. SPMM Health Care Services Pvt. Ltd., Salem (SPMM) 2..Sambandam Siva Textiles Pvt. Ltd., Salem (SSTPL) 3. Sambandam Investment Leasing Limited, Salem (SILL) 4. Sambandam Fabrics Private Ltd, Salem (SFPV) 5. Sambandam Textiles Private Ltd, Salem (STPL)	1.Sambandam Spinning Mills Limited, Salem (SSML) 2. SPMM Health Care Services Pvt. Ltd., Salem (SPMM) 3. Sambandam Siva Textiles Pvt. Ltd., Salem (SSTPL) 4.Sambandam Investment & Leasing Limited, Salem (SILL) 5.Sambandam Fabrics Pvt. Ltd. Salem 6. Sambandam Textiles Pvt. Ltd. Salem (STPL)	Sambandam Investment Leasing Limited, Salem	NIL	Sambandam Spinning Mills Limited, Salem (SSML)



Disclosure under Clause 49 of the listing agreement in respect of Directors seeking appointment at the 38th AGM (Contd.)

Name of Director	Sri R.Selvarajan	Sri S.Devarajan	Sri M. Rajamani	Dr. A.Sarayu	Mr. P.S. Ananthanarayanan
Memberships in Board Committees of other Companies	NIL	Chairman of Share Transfer Committee, Finance Committee CSR Committee and Member of Stakeholders Relationship Committee of SSML	NIL	NIL	Chairman of the Nomination and Remuneration Committee and Audit Committee and Member of CSR Committee of SSML
No of shares in the Company	7,78,730	92,227	1,22,067	53,090	NIL
Inter se relationship with any other director	He is related to Director Sri S.Vijay Shankar	NIL	NIL	She is related to Mr. S.Vijay Shankar, Director & CFO and also to CMD	NIL

Name of Director	Dr. V.Gopalan	Mr. N.Asoka	Mr. S.Gnanasekharan	Mr. Kameshwar M.Bhat
DIN	00018602	00127155	06796817	06951906
Date of Birth	14-7-1957	18-5-1953	29-5-1938	21-7-1964
Date of Appointment	19-01-2004	19-01-2004	14-2-2014	to be appointed at AGM
Qualification	ACA, ACMA, ACS, Ph.D	B.E.	ACS – Associate of ICSI.	M.Sc (Agri), CAIIB, PGDM
Expertise in specific functional areas	He is a financial consultant. He has held position as Vice President in ICICI Limited, Director - Finance and Company Secretary in Cognizant Technology Solutions India Limited.	He is an engineering graduate. He is the Managing Director of Spark Engineers Private Limited an ISO-9000 certified Company. He has more than two decades of experience in the filed of management.	He is the vice chairman of the Salem chapter of the ICSI and honorary counsellor of ICSI for Namakkal Dist. for the student community pursuing the Company Secretaryship course.	He has 25 plus years of experience in Banking, Financial Services and Retail Operations Management. He retired in the position of Assistant General Manager of Karnataka Bank Limited. Presently he is working in Bangalore as an Executive Officer of Maiyas Beverages and Foods Pvt. Ltd,
Directorships in other Companies	1. Sambandam Spinning Mills Limited, Salem 2. Janhar Management Consultancy Pvt. Ltd.	1.Spark Engineers Pvt. Ltd., Salem. 2.Sambandam Spinning Mills Limited, Salem	Sambandam Spinning Mills Limited, Salem	NIL
Memberships in Board Committees of other Companies	Member of the Audit, and Nomination and Remuneration Committee of SSML	Chairman of the Stakeholders Relationship Committee in SSML. Member of the Audit Committee and the Nomination and Remuneration Committee.	Member of Audit Committee of SSML.	NIL
No of shares in the Company	NIL	NIL	NIL	NIL
Inter-se relationship with any other director	NIL	NIL	NIL	NIL



KANDAGIRI SPINNING MILLS LIMITED

Corporate Identity Number (CIN) : L17111TZ1976PLC000762
Registered Office : POST BAG NO.3, UDAYAPATTI P.O., SALEM – 636 140
Tel : 0427 2244400 Fax : 0427 2244422
Email : sales@kandagirimills.com Website : www.kandagirimills.com

POSTAL BALLOT FORM (In lieu of e-Voting at the AGM)

1.	Name of Sole / First Member	
2.	Name(s) of Joint Member (s), if any	
3.	Registered Folio / DP ID / Client ID No.	
4.	Number of Shares held	

I / We hereby exercise my / our vote in respect of the Resolution(s) to be passed through Postal Ballot for the business stated in AGM Notice dated 13th August, 2014 of the Company by conveying my / our assent (Yes) or dissent (No) to the said Resolution(s) by placing the tick (✓) mark at the appropriate box below.

SI No	Resolutions	Type of Resolution	No.of Shares Held	Yes	No
1.	ADOPTION OF FINANCIAL STATEMENTS	ORDINARY			
2.	APPOINTMENT OF SRI S.DEVARAJAN, DIRECTOR RETIRING BY ROTATION	ORDINARY			
3.	APPOINTMENT OF STATUTORY AUDITORS	ORDINARY			
4.	CONTINUATION OF SRI. R.SELVARAJAN, CHAIRMAN AND MANAGING DIRECTOR	SPECIAL			
5.	APPOINTMENT OF SRI P.S.ANANTHANARAYANAN, INDEPENDENT DIRECTOR	ORDINARY			
6.	APPOINTMENT OF Dr. V.GOPALAN, INDEPENDENT DIRECTOR	ORDINARY			
7.	APPOINTMENT OF SRI N.ASOKA, INDEPENDENT DIRECTOR	ORDINARY			
8.	APPOINTMENT OF SRI S.GNANASEKHARAN, INDEPENDENT DIRECTOR	ORDINARY			
9.	APPOINTMENT OF SRI KAMESHWAR M.BHAT, INDEPENDENT DIRECTOR	ORDINARY			
10.	APPOINTMENT OF DR. A.SARAYU, NON-EXECUTIVE DIRECTOR	ORDINARY			
11.	APPOINTMENT OF SRI M.RAJAMANI, NON-EXECUTIVE DIRECTOR	ORDINARY			
12.	AUTHORISING BOARD OF DIRECTORS FOR CREATION OF CHARGE/MORTGAGE ON THE PROPERTIES OF THE COMPANY	SPECIAL			
13.	AUTHORISING THE BOARD OF DIRECTORS FOR THE BORROWINGS	SPECIAL			
14.	ALTERATION OF MEMORANDUM OF ASSOCIATION OF THE COMPANY	SPECIAL			
15.	ALTERATION OF ARTICLES OF ASSOCIATION OF THE COMPANY	SPECIAL			
16.	RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITORS	ORDINARY			
17.	ACCEPTANCE OF DEPOSITS FROM MEMBERS OF THE COMPANY	ORDINARY			

Note: 1) Kindly read the instructions printed overleaf (next page) before filling the form.

2) Last date for receipt of this Form by the Scrutinizer is 24.09.2014.

Place:

Date:

(Signature of Member)

POSTAL BALLOT FORM INSTRUCTIONS

- 1) This Ballot Form is provided for the benefit of Members who do not have access to e-voting facility.
- 2) A Member can opt for only one mode of voting i.e. either through e-voting or by Ballot. If a Member casts votes by both modes, then voting done through e-voting shall prevail and ballot shall be treated as invalid.
- 3) Board of Directors has appointed **Sri S.Solaiyappan as the Scrutinizer** for the postal ballot.
- 4) The Scrutinizer will collate the votes downloaded from the e-voting system and votes received through post to declare the final result for each of the Resolutions forming part of the Notice of the AGM.
- 5) SRI S.SOLAIYAPPAN, Practising Company Secretary, (ACS No.1573 and CP No.3573) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner. The results will be declared at the AGM of the Company. The results declared along with the Scrutinizer's Report will be available on the Company's Website within two (2) days of passing of the Resolutions at the AGM of the Company and the Results will also be communicated to the Bombay Stock Exchange and to the Madras Stock Exchange.

Process and manner for Members opting to vote by using the Ballot Form

- 1) Please complete and sign the Ballot Form (no other form or photocopy thereof is permitted) and send it to **Sri. S.Solaiyappan, Scrutinizer, No. 25/11A-4, Guru Raghavendra Nagar, Yerikkarai Road, Reddiyur, Salem – 636 004**. Ballot Forms deposited in person or sent by post or courier at the expense of the Member will be accepted.
- 2) The Form should be signed by the Member as per the specimen signature registered with the Company/Depositories. In case of joint holding, the Form should be completed and signed by the first named Member and in his/her absence, by the next named joint holder. A Power of Attorney (POA) holder may vote on behalf of a Member, mentioning the registration number of the POA registered with the Company or enclosing an attested copy of the POA. Exercise of vote by Ballot is not permitted through proxy.
- 3) In case the shares are held by companies, trusts, societies, etc. the duly completed Ballot Form should be accompanied by a certified true copy of the relevant Board Resolution/Authorization.
- 4) Votes should be cast in case of each resolution, either in favour or against by putting the tick (✓) mark in the column provided in the Ballot.
- 5) The voting rights of shareholders shall be in proportion of the shares held by them in the paid up equity share capital of the, Company as on August 14, 2014 and as per the Register of Members of the
- 6) Duly completed Ballot Form should reach the Scrutinizer not later than **Wednesday 24th September, 2014 (6.30. p.m. IST). Ballot Form received after 6.30 p.m. on 24.09.2014** will be strictly treated as if the reply from the Members has not been received.
- 7) A Member may request for a duplicate Ballot Form, if so required. However, duly filled in and signed duplicate Form should reach the Scrutinizer not later than the date and time specified in serial no. 6 above.
- 8) Unsigned, incomplete, improperly or incorrectly tick marked Ballot Forms will be rejected. A Form will also be rejected if it is received torn, defaced or mutilated to an extent which makes it difficult for the Scrutinizer to identify either the Member or as to whether the votes are in favour or against or if the signature cannot be verified.
- 9) The decision of the Scrutinizer on the validity of the Postal Ballot Form and any other related matter shall be final.





KANDAGIRI SPINNING MILLS LIMITED

Corporate Identity Number (CIN) : L17111TZ1976PLC000762
 Registered Office : POST BAG NO. 3, UDAYAPATTI P.O., SALEM – 636 140,
 Tel : 0427 2244400, Fax : 0427 2244422
 Email : sales@kandagirimills.com
 Website : www.kandagirimills.com

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013
 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s) :

Registered Address :

E-mail Id :

Folio No. DP ID No Client ID No

I / We, being the Member(s) of Kandagiri Spinning Mills Limited, holding Shares hereby appoint

1. Name: E-mail Id

Address:

..... Signature, or failing him

2. Name: E-mail Id

Address:

..... Signature, or failing him

3. Name: E-mail Id

Address:

..... Signature, or failing him

as my / our proxy to attend for me/us and on my / our behalf at the Thirty Eighth Annual General Meeting of the Company to be held at the Registered Office of SSML in Salem on Sunday, the 28th September 2014 at 11.30 a.m and at adjournment thereof in respect of such resolutions as are indicated below: (Please turn to next page)



KANDAGIRI SPINNING MILLS LIMITED

Corporate Identity Number (CIN) : L17111TZ1976PLC000762
 Registered Office : POST BAG NO. 3, UDAYAPATTI P.O., SALEM – 636 140,
Attendance Slip (To be presented at the entrance)

I hereby record my presence at the Thirty Eighth Annual General Meeting of the Company held at the Registered Office of SSML in Salem on Sunday, the 28th September 2014 at 11.30 a.m and any adjournment thereof

Folio No / Client ID No / DP ID No

Name of the Member Signature

Name of the Proxyholder Signature

1. Only Member / Proxyholder can attend the Meeting.

2. Member / Proxyholder should bring the AGM notice and the Annual Report for reference at the meeting

Please put a tick (✓) mark at the appropriate column against the respective Resolutions to record your assent (Yes) or your dissent (No). If you leave the 'Yes' or 'No' column blank against any or all the resolutions, your proxy will be entitled to vote in the manner he / she thinks appropriate.

SI No	Resolutions	Type of Resolution	No. of Shares Held	Yes	No
1.	ADOPTION OF FINANCIAL STATEMENTS	ORDINARY			
2.	APPOINTMENT OF SRI S.DEVARAJAN, DIRECTOR RETIRING BY ROTATION	ORDINARY			
3.	APPOINTMENT OF STATUTORY AUDITORS	ORDINARY			
4.	CONTINUATION OF SRI. R.SELVARAJAN, CHAIRMAN AND MANAGING DIRECTOR	SPECIAL			
5.	APPOINTMENT OF SRI P.S.ANANTHANARAYANAN, INDEPENDENT DIRECTOR	ORDINARY			
6.	APPOINTMENT OF Dr. V.GOPALAN, INDEPENDENT DIRECTOR	ORDINARY			
7.	APPOINTMENT OF SRI N.ASOKA, INDEPENDENT DIRECTOR	ORDINARY			
8.	APPOINTMENT OF SRI S.GNANASEKHARAN, INDEPENDENT DIRECTOR	ORDINARY			
9.	APPOINTMENT OF SRI KAMESHWAR M.BHAT, INDEPENDENT DIRECTOR	ORDINARY			
10.	APPOINTMENT OF DR. A. SARAYU, NON-EXECUTIVE DIRECTOR	ORDINARY			
11.	APPOINTMENT OF SRI M.RAJAMANI, NON-EXECUTIVE DIRECTOR	ORDINARY			
12.	AUTHORISING BOARD OF DIRECTORS FOR CREATION OF CHARGE/ MORTGAGE ON THE PROPERTIES OF THE COMPANY	SPECIAL			
13.	AUTHORISING THE BOARD OF DIRECTORS FOR THE BORROWINGS	SPECIAL			
14.	ALTERATION OF MEMORANDUM OF ASSOCIATION OF THE COMPANY	SPECIAL			
15.	ALTERATION OF ARTICLES OF ASSOCIATION OF THE COMPANY	SPECIAL			
16.	RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITORS	ORDINARY			
17.	ACCEPTANCE OF DEPOSITS FROM MEMBERS OF THE COMPANY	ORDINARY			

Signed this day of September 2014

Signature of Member.....

Signature of Proxyholder(s).....

Affix
Re.1
Revenue
Stamp



Note:

- 1) This Form in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting, i.e. before 11.30 am on 26.09.2014.
- 2) Proxies submitted on behalf of Limited Companies, Societies, etc., must be supported by appropriate Resolutions / Authority, as applicable. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
- 3) During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member is entitled to inspect the proxies lodged at any time during the business hours of the Company, provided not less than 3 days advance notice in writing is given to the Company.





KANDAGIRI SPINNING MILLS LIMITED

38th Annual Report

2013 - 2014

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Certification





Board of Directors	R. Selvarajan – Chairman and Managing Director S. Vijay Shankar – Non Executive Director S. Devarajan – Non Executive Director S. Sivakumar – Non Executive Director P.S. Ananthanarayanan – Non Executive Independent Director Dr. V. Gopalan – Non Executive Independent Director N. Asoka – Non Executive Independent Director S. Gnanasekharan – Non Executive Independent Director
Chief Financial Officer	S.Vijay Shankar
Company Secretary	J. Asifa
Statutory Auditors	M.S.Krishnaswami & Rajan
Cost Auditors	S.Mahadevan & Co
Bankers	State Bank of India – Consortium Lead Bank Karnataka Bank Limited – Consortium Member Axis Bank Limited – Consortium Member
Registered Office	Post Box No. 3, Mill Premises, Udayapatti P.O., Salem 636 140, Tamil Nadu.
Corporate Identity No.	(CIN) L17111TZ1976PLC000762
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 Converters	Panangudi, Pazhavor, Udhayathoor and Parameshwarapuram Villages, Radhapuram Taluk, Tirunelveli District, Tamil Nadu. Melamaruthappapuram Village, Veerakeralam Pudur Taluk, Tirunelveli District, Tamil Nadu. Gudimangalam Village, Udumalpet Taluk, Coimbatore District, Tamil Nadu.



KANDAGIRI SPINNING MILLS LIMITED

DIRECTORS' REPORT

Your directors have pleasure in submitting their 38th Annual Report together with the audited accounts for the year ended March 31, 2014 (the year).

Performance highlights

	2013-14	2012-13
	(Rs. in lakhs)	
Export - Direct	389	—
- Merchandise	13012	6584
Domestic Sales	5945	9453
Other operating income	15	17
Total Turnover	19361	16054
Gross profit (ie. profit before interest and depreciation)	2541	2886
Cash profit/ (ie. Profit / before depreciation)	1408	1649
Profit before exceptional Item and tax	625	828
Exceptional Item – provision for diminution in investments	45	—
Profit after exceptional Item (before tax) - PBT	580	828
Profit after exceptional Item and tax - PAT	382	585
Earnings per share -basic and diluted Rs.	9.92	15.20

Dividend

In view of the carried over losses as at March 31, 2014, no dividend is recommended by your board of directors for the financial year 2013-14.

Financial Performance with respect to Operational Performance:

During the year under review, your company achieved a turnover of Rs. 19361 lakhs as against Rs. 16054 lakhs during the previous year, registering an increase of nearly 21%. However the profit before tax was lowered to Rs. 625 lakhs as against Rs. 828 lakhs mainly due to increase in cotton price and backing out of 40% of power generated through windmill by TANGEDCO. Your company was able to retain this level of profitability through dedicated efforts aimed at improving operational efficiency, timely purchase of cotton though there is an uncertainty in its prices and focus on optimal product mix and effective cost reduction measures. Your company successfully installed and commissioned the dedicated feeder line for its unit II by the end of March 2014. The benefits arising out of this dedicated power line, such as usage of third party power in the power cut period, optimum utilisation of GENSET power and uninterrupted power supply will be available to our company in the coming years.



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) In FY 2013-14 our expectations weathered a setback though proved to be a year of uncertainty. The constant change in the Indian and global economic landscape created uncertainty and risks to the growth momentum. The Indian economy during FY 2013 -14 continued to languish recording a lower growth in GDP for the second consecutive year.
- (ii) The Spinning industries faced many challenges due to the economic slowdown, higher cotton prices and fluctuations shown in dollar movement. In spite of stability shown in yarn prices both in the domestic and international markets, profits have not been better because of the above reasons.

(b) Outlook

The industry expects an improvement in the margin during the current year. Demand for yarn has also been good both in domestic and merchant export market. Your directors are monitoring the cotton price and yarn price movement. If the incentives for exports offered by government of India provide relief packages, it will further boost exports. In view of this situation, the Company's performance is expected to improve further.

(c) Strategies and Future Plans

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. To overcome the power shortage problem and to gain the maximum benefit from the captive power plants (wind turbines) during the power cut period, dedicated feeder line has been commissioned successfully in Unit II & unit III. Feeder line connection to unit 1 has just been approved by the TANGEDCO and the feeder line work will commence in the next few months and will be completed by this year end. This will ensure uninterrupted power supply to the spinning mills of your company which will reduce the dependence on diesel generated power and also maximize production through out the day. Further life of the electrical components could be enhanced due to avoidance of down time during frequent power cuts and thereby quality of product could be maintained /improved further.

Your directors are planning to implement a modernization scheme during the year at an estimated cost of Rs. 18.62 crores which will result in improvement in production and quality of the product and also reduction in man power cost.

(d) Internal Control and Systems

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

Your company is certified ISO 9001 and 14001 for the systems. Further, your company's laboratory is also certified by NABL.



(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 provides necessary accommodation and food facility to your Employees. Your Company has various welfare measures both government sponsored and privately envisaged. The company also recognises the importance of training and consequently deposes its work force to various work related courses/seminars including important areas like issues like Total Quality Management (TQM), Technical skills etc.,. The fact that the relationship with the employees continued to be cordial is testimony to the company's ability to retain high quality workforce.

(f) Environmental Protection, Health and Safety (EHS)

EHS continues to receive the highest priority in all operational and functional areas at all locations of your Company. Systematic process safety analysis, audits, periodic safety inspections are carried out by expert agencies and suitable control measures adopted for ensuring safe operations at the site. Various processes, wherever required, are backed up by efficient scrubbing systems to take care of any fugitive emission into the environment.

(g) Corporate Social Responsibility and Community Development Initiatives

Your company's main activity is centered around making quality yarn but its concerns reach 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 Multi Specialty 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 nearly 150 inmates of The Tamilnadu Association for the Blind School, Ayothiyapattinam, Salem District.

(h) 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 as Cost Auditor for audit of Cost Accounts of the Company and his report for the year ended 31st March 2013 was submitted on 24.09.2013 to the Ministry of Corporate Affairs (VIDE SRN: S22477152, dated 24.09.2013). Due date for submission of Cost Audit Report in XBRL format was 27.09.2013.

M/s. S.Mahadevan & Co. were again reappointed for Audit of Cost Accounts of the Company for the year ended 31.3.2014. Their reports for the year ended 31.3.2014 will be filed before the due date.



DIRECTORS

Mr. V.Mahadevan, Independent Director did not attend the meetings of the Board and the Audit Committee held during the year on account of his continued illness. He submitted his resignation which was accepted at the Board Meeting held on 14.02.2014. Board appointed Mr. S.Gnanasekharan, a Practising Company secretary, as an independent director in the place of Mr. V.Mahadevan.

Sri S. Vijay Shankar had resigned as Joint Managing Director and continues as non-executive director with effect from 01.04.2014. Board designated Sri S.Vijay Shankar as Chief Financial Officer at the Board Meeting held on 01.04.2014.

In accordance with the provisions of section 196(3) of the Companies Act, 2013, the Nomination and Remuneration Committee recommended to the Board for the continuation of Sri R. Selvarajan as Chairman and Managing Director for his remaining tenure i.e. up to 30.09.2015 even though he attains the age of seventy on 01/10/2014 keeping in view of his experience.

The Company had, pursuant to the provisions of clause 49 of the listing agreements entered into with Stock Exchanges appointed Dr. V.Gopalan, Mr. P.S.Anathanarayanan, Mr. N.Asoka and Mr. S.Gnanasekharan as Independent Directors of the Company. In accordance with the provisions of section 149 of the Companies Act, 2013, these directors are being appointed as Independent directors for five consecutive years commencing from the date of the forthcoming Annual General Meeting of the Company and they are not liable to retire by rotation.

Sri S.Devarajan, Director, retires by rotation and he is eligible for reappointment. Sri S.Sivakumar also retires by rotation but he desires not to get reelected. Board recorded its appreciation for the valuable services rendered by Mr. S.Sivakumar to the company during the tenure of his office.

Company's 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

Auditors, M/S M.S.Krishnaswami & Rajan, Chartered Accountants, retire at the ensuing annual general meeting and have confirmed their eligibility and willingness to accept office, if appointed. On the recommendation of the Audit Committee your Company's board is placing the resolution u/s 139(2) of the Companies Act, 2013 for appointing him as the statutory Auditor of the Company for the current financial year.

ANNEXURE

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

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
August 13, 2014

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



ANNEXURE TO DIRECTORS' REPORT

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

The financial statements have been prepared in conformity, in all material respects, with the applicable Accounting Standards in a consistent manner and supported by reasonable and prudent judgments and estimates. The Directors believe that the financial statements reflect true and fair view of the financial position as on 31.3.2014 and of the results of operations for the year ended 31.3.2014.

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

		2013-14	2012-13
(i) Purchased units*	'000 KWH	19122	7860
Total cost	Rs. Lakhs	1584	723
Cost/unit	Rs.	8.28	9.20
*net of units generated through wind energy converters			
(ii) Own generation			
1) Through diesel generator			
Generated units	'000 KWH	2299	8548
Units per litre of diesel	KWH	3.40	3.38
Cost/unit	Rs.	15.24	13.01



(a) Power and fuel consumption (Contd.)		2013-14	2012-13
2) Through steam turbine/generator		—	—
3) Through Wind energy converters			
Generated units (fed to TNEB Grid)	'000 KWH	16572	19602
Cost/unit*	Rs.	4.00	2.50
*Cost includes maintenance charges, interest and depreciation			
2. Coal		—	—
3. Furnace oil		—	—
4. Others		—	—
(b) Consumption per unit of production			
Production (Yarn)	Kgs. Lakhs	84.00	68.08
Consumption of electricity	'000 KWH	37954	36010
Consumption Per kg. of Yarn	KWH	4.52	5.29

B. Technology absorption and research and development

— —

C. Foreign exchange earnings and outgo

(a) Active relating to exports Yarn exports (including merchandise exports)	Rs.lakhs	13011.52	6584.01
(b) Total Foreign exchange used and earned			
1) CIF value of Imports			
Spares for Capital goods*	Rs. Lakhs	0.66	20.87
Raw materials (cotton)*			
*exclusive of net exchange difference	Rs. Lakhs	1980.22	900.24
2) Other expenditure in foreign Currency			
Interest	Rs. Lakhs	7.18	9.81
Other matters	Rs. Lakhs	2.85	3.10
3) Foreign exchange earned			
Yarn export	Rs.Lakhs	389.40	—

(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.

For and on behalf of the Board

Salem
August 13, 2014

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, 2014.

Salem
August 13, 2014

R. Selvarajan
Chairman and Managing Director



CEO/CFO CERTIFICATION

To

The Board of Directors,
Kandagiri Spinning Mills Limited
Salem

We, R.Selvarajan, Chairman and Managing Director and S.Vijay Shankar, Chief Financial Officer of Kandagiri Spinning Mills Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the financial statements for the year and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - b) these statements present a true and fair view of the state of affairs of the Company and of the results of operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing Generally Accepted Accounting Principles including Accounting Standards.
2. These are to the best of our knowledge and belief, no transactions entered into by the Company during the year that are fraudulent, illegal or violative of the Company's Code of Conduct.
3. We accept overall responsibility for establishing and monitoring the Company's internal control system for financial reporting and evaluating its effectiveness. The Internal Audit function monitors the internal control system for financial reporting, which encompasses the examination and evaluation of the adequacy and effectiveness. Internal Audit works with all levels of management and Statutory Auditors, and reports significant issues to the Audit Committee are appraised of any corrective action taken or proposed to be taken with regard to significant deficiencies and material weaknesses.
4. We have indicated to the Auditors and to the Audit Committee:
 - a) Significant changes in internal control over financial reporting during the year.
 - b) Significant changes in accounting policies during the year.
 - c) Instances of significant fraud of which have become aware of and which involve management or other employees who have significant role in the Company's Internal control system over financial reporting. However, there was no such instance.

Salem
13.08.2014

R. Selvarajan
Chairman and Managing Director

S. Vijay Shankar
Chief Financial Officer



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:

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

2. Board of directors

The eight member Board of Directors, as on 31st March, 2014, 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

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 behavior. 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, 2014 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 31.03.2014
Sri R. Selvarajan Chairman and Managing Director	5	-	7,78,730
Sri S. Vijay Shankar Joint Managing Director***	1	-	4,09,582
Sri S. Devarajan	6	1	92,227
Sri S. Sivakumar	2	-	1,59,163
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
Sri S. Gnansekharan **	1	1	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.

** Sri V. Mahadevan resigned from the Board on 14/02/2014 and Sri S. Gnanasekharan, an independent director was appointed on the same day to fill the casual vacancy caused by the resignation of Independent director Sri V. Mahadevan.

*** Sri S. Vijay Shankar resigned as Joint Managing Director on 01.04.2014 and continued as non-executive director of the Company and he is appointed as Chief Financial Officer of the Company with effect from 01.04.2014.

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 (up to 14/02/2014), Sri P.S. Ananthanarayanan, Sri N. Asoka and Sri S. Gnanasekharan (from 14/02/2014) 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 authorization 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.Vijay Shankar, executive Director and Sri S.Devarajan, non executive Director, are members of this Committee. Ms. J. Asifa, Company Secretary is the Compliance officer. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings.

Stakeholders Relationship Committee

The Investor Grievance Committee has been renamed as 'Stakeholders Relationship Committee' on 14.02.2014 as a proactive measure to comply with the provisions of Companies Act, 2013 and SEBI Regulations to specifically look into the redressal of Stakeholders' complaints. This Committee looks into investor relations / grievances on a periodical basis. As on March 31, 2014, Sri N.Asoka, non executive Independent Director is the chairman of the Committee. Sri S.Vijay Shankar, executive Director and Sri S.Sivakumar, non executive Director, are members of this Committee. Ms. J.Asifa, Company Secretary is the Compliance officer. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings. During the year 43 request letters and one complaint were received from shareholders on routine matters and all these were dealt 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.Vijay shankar, executive director and Sri S.Devarajan, non executive director, are members of this Committee. Ms. J.Asifa, Company Secretary 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.

Nomination and Remuneration Committee

The Remuneration Committee has been renamed as 'Nomination and Remuneration Committee' on 14.02.2014 as a proactive measure to comply with the provisions of Companies Act, 2013 and SEBI Regulations to consider the nomination, remuneration and other benefits to the executive directors, Key Managerial Personnel and employees one level below the Key Managerial Personnel. 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. Ms. J.Asifa, Company Secretary is the Compliance officer. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings.

Corporate Social Responsibility Committee

As per the provisions of Companies Act, 2013, Corporate Social Responsibility Committee has been constituted on 14.02.2014 consisting of four members namely, Sri R.Selvarajan, Sri S.Vijay Shankar, Sri S.Devarajan and Dr. V.Gopalan. Sri R.Selvarajan is the Chairman of the Committee.

3. Attendance of Directors

Remuneration and attendance of Directors at the meetings of the Board or Committee thereof during the year ended March 31, 2014 are as under:



Name of Director	Board Meetings	Audit Committee Meetings	Share Transfer Committee Meetings	Stakeholder Relationship Committee Meetings	Nomination and Remuneration Committee Meetings	Attendance of last AGM held on 14 th Aug 2013	Director's Sitting fees Rs.	Director's Remuneration Rs.
Sri R. Selvarajan Chairman and Managing Director	5	–	4	–	–	Yes	–	36,00,000
Sri S. Vijay Shankar* Joint Managing Director	5	–	4	4	–	Yes	–	24,00,000
Sri S. Devarajan	4	6	4	–	–	Yes	1,60,000	–
Sri S. Sivakumar	4	–	–	4	–	Yes	40,000	–
Sri P. S. Ananthanarayanan	4	6	–	–	–	Yes	1,60,000	–
Sri V. Mahadevan **	–	–	–	–	–	No	–	–
Dr. V. Gopalan	5	6	–	–	–	Yes	1,70,000	–
Sri N. Asoka	5	6	–	4	–	Yes	1,70,000	–
Sri. S. Gnansekharan **	1	–	–	–	–	No	10,000	–

* Sri S. Vijay Shankar resigned as Joint Managing Director on 01.04.2014 and continued as non-executive director of the Company and he is appointed as Chief Financial Officer of the Company with effect from 01.04.2014.

** Sri V. Mahadevan resigned our Board from 14-02-2014 and Sri S. Gnanasekharan, was appointed as an independent director on 14-02-2014 to fill the casual vacancy caused by the resignation of Sri V. Mahadevan.

Note: Five Board meetings were held during the year on 27th May, 2013, 14th August, 2013, 27th October, 2013, 13th November, 2013 and 14th February, 2014. Six Audit Committee meetings were held during the year on 18th April, 2013, 25th May, 2013, 13th August, 2013, 27th October, 2013, 12th November, 2013, and 13th February, 2014. Share Transfer Committee meetings were held on 27th May 2013, 14th August, 2013, 13th November, 2013 and 14th February, 2014 and Stakeholder Relationship Committee meetings were held on 27th May, 2013, 14th August, 2013, 13th November, 2013 and 14th February, 2014.

4. General Shareholder Information

- A The 38th Annual General Meeting of the Company will be held on Sunday, 28th September, 2014 at 11:30 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
2011	12/08/2011	11:30 a.m.	Sambandam Spinning Mill's Premises, Kamaraj Nagar Colony, Salem 636 014.
2012	13/08/2012	11:30 a.m.	Sambandam Spinning Mill's Premises, Kamaraj Nagar Colony, Salem 636 014.
2013	14/08/2013	11:30 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 August 13, 2012 to approve the re-appointment and payment of remuneration to the Chairman and Managing Director and the Joint Managing Director of the Company.

One Special Resolution was passed at the Annual General Meeting held on August 14, 2013 for commencement of New Business relating to generation of power through Wind turbines and Solar power stations or by other methods and sale of such generated power to TNEB or to any other person as stated in Clause III C (26) of the Memorandum of Association 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. The Company proposes to pass five Special Resolutions through postal ballot process during this year.

B. Book Closure Period

The Book Closure period is from Thursday, September 18, 2014 to Sunday, September 28, 2014 (both days inclusive).

C. Financial Calendar for year 2014-15

Board meetings to be : August 2014, October / November 2014,
held in 2014-15 January / February 2015 and May 2015

Annual General Meeting : AGM will be held in August / September, 2015

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 (Stock Code: KANDAGIRI). 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 93.85% 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, 2013 to March 31, 2014**

<i>Month</i>	<i>High (Rs.)</i>	<i>Low (Rs.)</i>	<i>Month</i>	<i>High (Rs.)</i>	<i>Low (Rs.)</i>
Apr-13	72.05	59.05	Oct-13	80.75	65.25
May-13	74.65	62.00	Nov-13	82.80	67.30
Jun-13	78.25	78.25	Dec-13	71.10	63.90
Jul-13	74.35	68.45	Jan-14	71.95	59.25
Aug-13	67.00	61.00	Feb-14	71.10	58.85
Sep-13	69.00	58.15	Mar-14	63.45	55.60

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 compliance of 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
Post bag no.3, Udayapatti P.O.
Salem 636 140.
CIN: L17111TZ1976PLC000762

Phone : 0427-2244400
Fax no. : 0427-2244422
e-mail : sales@kandagirimills.com
ksmcs@kandagirimills.com

H. Distribution of shareholding as on March 31, 2014

<i>Shares held</i>	<i>Shareholders</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
1 – 5000	3072	97.99	5,32,032	13.82
5001 – 10000	20	0.64	1,46,148	3.80
10001 and above	43	1.37	31,71,070	82.38
Total	3135	100.00	38,49,250	100.00

I. Shareholding pattern as on March 31, 2014

<i>Category</i>	<i>No. of shares held</i>	<i>%</i>
Indian Promoters	2,688,852	69.85
Financial Institutions	-	-
Bodies Corporate	147,337	3.83
Non Resident Indians	1,130	0.03
Indian Public	1,011,931	26.29
Clearing Members	-	-
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, 2014.



K. Disclosures

- (i) 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.
- (ii) 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.
- (iii) The Management Discussion and Analysis Report forms part of the Directors' Report.
- (iv) The Company does not have any subsidiary.
- (v) There have been no public issues, rights issues or other public offerings during the past five years.
- (vi) 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, Pazhavor, 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

1. We have examined the compliance with the conditions of Corporate Governance by Kandagiri Spinning Mills Limited (the Company) for the year ended March 31, 2014 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.
2. 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.
3. 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.
4. 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
Firm registration No. 01554S

Salem
August 13, 2014

R. Krishnen - Partner
Membership No. 201133



INDEPENDENT AUDITORS' REPORT

To the members of Kandagiri Spinning Mills Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Kandagiri Spinning Mills Limited** ("the Company") which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash flow statement, of the cash flows for the year ended on that date.



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) 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;
 - (b) 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;
 - (c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the Balance sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in section 211(3C) of the Companies Act 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 ;
 - (e) on the basis of written representation received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of section 274(1)(g) of the Companies Act, 1956.

For M.S. Krishnaswami & Rajan

Chartered Accountants

Firm registration No.01554S

R. Krishnen - Partner

Membership No.201133

Salem

May 30, 2014

Annexure to the Independent Auditors' Report

The Annexure referred to in our report to members of Kandagiri Spinning Mills Limited (the Company) for the year ended March 31, 2014

1.
 - (i) the Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (ii) the fixed assets are being physically verified 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 during the year on such verification.
 - (iii) the Company has not disposed off substantial part of its fixed assets during the year.
2.
 - (i) inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
 - (ii) 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.
 - (iii) the Company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stocks and the book records.



3. the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. Thus paragraphs 4(iii) (b) to (d), (f), (g) are not applicable to the Company.
4. in our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and for the sale of goods and services. We have not observed any major weakness in the internal control system during the course of our audit.
5.
 - (i) in our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
 - (ii) in our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (5) (i) above and exceeding Rs.5 lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. the Company has complied with the directives issued by the Reserve Bank of India and 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.
7. in our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. we have broadly reviewed the books of accounts maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government of India under section 209(1)(d) of the Companies Act, 1956 in respect of the products manufactured by the Company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records.
9.
 - (i) according to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of 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 and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.
 - (ii) according to the information and explanations given to us, no undisputed amounts payable in respect provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues were in arrears as at March 31, 2014 for a period of more than six months from the date they became payable.



- (iii) according to the information and explanations given to us, there are no material dues of Income tax, wealth tax, excise duty, service tax and customs duty which have not been deposited with the appropriate authorities on account of any dispute. However, according to the information and explanations given to us, the following sales tax due has not been deposited by the Company on account of disputes, for which stay has been obtained. (Nature of dues, dues, period to which the amount relates, forum where dispute is pending) – Sales tax, Rs.35,909, Financial year 2000-01, Sales tax Appellate Tribunal.
10. the Company has an accumulated losses of Rs.2,62,16,258 as at the end of the financial year 2013-14 and has not incurred any cash losses in the financial year and in the immediately preceding financial year.
 11. the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders during the year.
 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.
 13. in our opinion and according to the information and explanations given to us, the Company is not a chit fund or a Nidhi/mutual benefit fund/society.
 14. according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
 15. according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
 16. according to the information and explanations given to us, the term loans availed by the Company were, prima facie, applied for the purpose for which they were obtained.
 17. in our opinion and according to the information and explanations given to us, 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.
 18. the Company has not made any preferential allotment of shares during the year.
 19. the Company has not issued any debentures during the year.
 20. the Company has not raised any money by public issues during the year.
 21. according to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For M.S. Krishnaswami & Rajan

Chartered Accountants
Firm registration No.01554S

R. Krishnen - Partner
Membership No.201133

Salem
May 30, 2014

**Balance Sheet as at March 31, 2014**

Particulars	Note No.	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1.1	3,85,74,500	3,85,74,500
Reserves and surplus	1.2	46,25,99,954	42,73,22,911
		50,11,74,454	46,58,97,411
Non-current liabilities			
Long-term borrowings	1.3	24,85,60,378	50,04,10,648
Deferred tax liabilities (net)	1.4	16,22,25,167	14,24,25,167
Long-term provisions	1.5	1,26,84,277	1,26,55,568
		42,34,69,822	65,54,91,383
Current liabilities			
Short-term borrowings	1.6	35,22,56,722	34,27,25,037
Trade payables	1.7	13,40,32,978	4,37,53,617
Other current liabilities	1.8	32,62,56,796	17,88,57,103
Short-term provisions	1.9	4,67,893	4,52,656
		81,30,14,389	56,57,88,413
TOTAL		173,76,58,665	168,71,77,207
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	1.10	105,57,13,686	111,58,91,029
Capital work-in-progress	1.10	—	—
		105,57,13,686	111,58,91,029
Non-current investments	1.11	2,00,94,000	2,45,00,000
Long-term loans and advances	1.12	12,85,08,936	8,94,09,282
Other non-current assets	1.13	6,94,259	10,41,383
		120,50,10,881	123,08,41,694
Current assets			
Inventories	1.14	37,43,01,649	28,29,08,007
Trade receivables	1.15	10,64,01,234	13,55,82,180
Cash and bank balances	1.16	85,20,462	98,08,074
Short-term loans and advances	1.17	3,27,93,803	1,95,13,781
Other current assets	1.18	1,06,30,636	85,23,471
		53,26,47,784	45,63,35,513
TOTAL		173,76,58,665	168,71,77,207

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

Firm Registration No. 01554S

R. Krishnen - Partner

Membership No. 201133

Salem

May 30, 2014

For and on behalf of the board

R. Selvarajan

Chairman and Managing Director

S. Devarajan

Director

J. Asifa

Company Secretary

S. Vijay Shankar

Chief Financial Officer



Statement of Profit and Loss for the year ended March 31, 2014

Particulars	Note No.	For the year ended March 31, 2014		For the year ended March 31, 2013
		Rupees	Rupees	Rupees
Income				
Revenue from operations	2.1	193,61,24,353		160,53,74,916
Other income	2.2	29,90,225		24,51,182
Total Revenue			193,91,14,578	160,78,26,098
Expenses				
Cost of materials consumed	2.3	120,30,66,189		85,69,68,930
Changes in inventories of finished goods and stock-in-trade	2.4	-2,66,42,695		45,50,065
		117,64,23,494		86,15,18,995
Employee benefits expense	2.5	18,77,95,442		15,72,34,812
Finance cost	2.6	11,33,30,138		12,37,20,355
Depreciation and amortization expense	2.7	7,83,10,235		8,20,95,218
Other expenses	2.8	32,07,59,979		30,04,29,605
Total Expenses			187,66,19,288	152,49,98,985
Profit before exceptional items and tax			6,24,95,290	8,28,27,113
Exceptional item	2.9		45,29,000	—
Profit before tax			5,79,66,290	8,28,27,113
Tax expense:				
Current tax		—		—
Deferred tax		1,98,00,000		2,43,00,000
			1,98,00,000	2,43,00,000
Profit for the year after tax			3,81,66,290	5,85,27,113
Earnings per Equity share (Face value Rs.10)				
Basic and Diluted (in Rs.)			9.92	15.20

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
Firm Registration No. 01554S
R. Krishnen - Partner
Membership No. 201133
Salem
May 30, 2014

For and on behalf of the board

R. Selvarajan
Chairman and Managing Director

S. Devarajan
Director

J. Asifa
Company Secretary

S. Vijay Shankar
Chief Financial Officer



Cash Flow Statement for the period ended March 31, 2014

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
1. Cash flows from operating activities		
1.1 Profit before tax and exceptional item	5,79,66,290	8,28,27,113
1.2 Adjustment for		
Depreciation and amortisation	7,83,10,235	8,20,95,218
Loan raising expenditure - amortised	3,47,124	(9,58,661)
- incurred	—	—
Amount considered under investing activities		
(Profit)/Loss on disposal of assets	15,026	(2,31,259)
Income from investments	—	—
Amount considered under financing activities		
Interest paid	10,80,21,112	12,14,20,707
Interest received	-20,15,121	(21,44,873)
Provision for diminution in value of long term investments	45,29,000	—
1.3 Operating profit before working capital changes	24,71,73,666	28,30,08,245
1.4 Adjustment for changes in		
Increase / (Decrease) in trade payables	9,02,79,361	2,34,27,076
Increase / (Decrease) in long term provisions	28,709	6,19,726
Increase / (Decrease) in short term provisions	15,237	91,002
Increase / (Decrease) in other current liabilities	28,16,336	(1,51,89,961)
Decrease / (Increase) in trade receivables	2,91,80,946	(2,94,23,989)
Decrease / (Increase) in inventories	-9,13,93,642	(8,13,74,897)
Decrease / (Increase) in long term advances	-2,45,99,133	88,29,318
Decrease / (Increase) in short term advances	-1,32,80,022	(97,43,984)
Decrease / (Increase) in other current assets	-19,78,135	46,02,988
1.5 Cash generated from operating activities	23,82,43,323	18,46,52,039
1.6 Income tax paid/(refund)	-1,03,80,557	(3,13,933)
Net cash flow from operating activities before exceptional items	22,78,62,766	18,43,38,106
Exceptional items	—	—
Net cash flow from operating activities [A]	22,78,62,766	18,43,38,106
2. Cash flows from investing activities		
2.1 Purchase of tangible assets, intangible assets, CWIP and capital advances	-2,53,91,889	(1,07,35,757)
2.2 Proceeds from sale of tangible assets	2,49,786	13,92,190
2.3 Refund of terminal excise duty	—	—
2.4 Investment in equity shares	-1,23,000	—
2.5 Interest received	20,15,121	21,44,873
2.6 Dividend received	—	—
2.7 Changes in Advances (Net)	—	—
Net cash flow used in investing activities [B]	-2,32,49,982	(71,98,694)

**Cash Flow Statement for the year ended March 31, 2014 (Contd.)**

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
3. Cash flow from financing activities		
3.1 Proceeds from long term borrowings	2,83,83,500	15,88,00,000
3.2 Repayments of long term borrowings	-13,56,50,410	(11,70,95,613)
3.3 Proceeds from short term borrowings	11,07,22,574	4,91,19,871
3.4 Repayments of short term borrowings	-12,11,47,001	(5,00,00,000)
3.5 Changes in cash credit facilities	1,98,49,063	(15,49,51,337)
3.6 Interest paid - Net	-10,80,21,112	(12,14,20,707)
3.7 Dividend paid on equity shares	—	—
3.8 Dividend Tax paid on equity dividend paid	—	—
Net cash flow from financing activities [C]	-20,58,63,386	(23,55,47,786)
Net cash inflow / (outflow) [A+B+C]	-12,50,601	(5,84,08,374)
Opening cash and cash equivalents	19,38,905	6,03,47,279
Closing cash and cash equivalents	6,88,304	19,38,905
Net increase / (decrease) in cash and cash equivalents	-12,50,601	-5,84,08,374

Notes to the cash flow statement

Components of cash and cash equivalents:

Cash and bank balances excluding unclaimed dividend and earmarked deposits held by banks as margin money	6,88,304	19,38,905
	6,88,304	19,38,905

Per our report of even date
For M.S. Krishnaswami & Rajan
Chartered Accountants
Firm Registration no. 01554S
R. Krishnen - Partner
Membership no. 201133
Salem
May 30, 2014

For and on behalf of the board

R. Selvarajan
Chairman and Managing Director

S. Devarajan
Director

J. Asifa
Company Secretary

S. Vijay Shankar
Chief Financial Officer

**Statement on Significant Accounting Policies forming part of the Financial Statements for the year ended March 31, 2014**

1. Basis of preparation of financial statements - The financial statements are prepared in accordance with the generally accepted accounting standards referred to in Section 211(3C) of the Companies Act, 1956, read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.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.



Statement on Significant Accounting Policies forming part of the Financial Statements for the year ended March 31, 2014 (Contd.)

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.
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),



Statement on Significant Accounting Policies forming part of the Financial Statements for the year ended March 31, 2014 (Contd.)

- (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

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
1.1 Share Capital		
Authorise		
50,00,000 (2013 : 50,00,000) Equity shares of Rs.10 each	<u>5,00,00,000</u>	<u>5,00,00,000</u>
Issued		
38,65,650 (2013 : 38,65,650) Equity shares of Rs.10 each	<u>3,86,56,500</u>	<u>3,86,56,500</u>
Subscribed		
38,49,250 (2013 : 38,49,250) Equity shares of Rs.10 each fully paid	<u>3,84,92,500</u>	<u>3,84,92,500</u>
Add: Forfeited shares (amount originally paid up in respect of 16,400 equity shares)	<u>82,000</u>	<u>82,000</u>
	<u>3,85,74,500</u>	<u>3,85,74,500</u>

Notes :

- Reconciliation of Number of Shares
Shares outstanding as at April 1, 2013 / April 1, 2012 38,49,250 38,49,250
Shares outstanding as at March 31, 2014 / March 31, 2013 38,49,250 38,49,250

- Shareholders holding more than 5% of the total share capital:

	2014		2013	
Name of the shareholder	No. of shares	%	No. of shares	%
Sri R.Selvarajan	7,78,730	20.23	7,78,330	20.22
Sri S.Vijay Shankar	4,09,582	10.64	4,09,582	10.64

- Rights and restrictions in respect of equity shares
The company has one class of equity shares having a par value of Rs.10 each. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
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	21,93,43,828	22,22,33,075
Transfer to Statement of Profit and Loss (refer note no.3.15 to the Financial Statements)	<u>28,89,247</u>	<u>28,89,247</u>
As at the end of the year	21,64,54,581	21,93,43,828
c) General Reserve		
As at the beginning of the year	21,75,00,000	21,75,00,000
Transfer from Statement of Profit and Loss	<u>—</u>	<u>—</u>
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	-6,43,82,548	(12,29,09,661)
Current year profit	<u>3,81,66,290</u>	<u>5,85,27,113</u>
As at the end of the year	<u>-2,62,16,258</u>	<u>(6,43,82,548)</u>
	<u>46,25,99,954</u>	<u>42,73,22,911</u>



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

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
1.3 Long term borrowings		
Secured - Term loans from banks	19,99,48,378	47,15,86,148
Unsecured - Fixed deposits	4,86,12,000	2,88,24,500
	<u>24,85,60,378</u>	<u>50,04,10,648</u>
Notes :		
i) Refer note no.3.16 to the Financial Statements for the terms of the loans		
ii) Fixed deposits includes deposits from directors Rs.2,98,15,000 (2013 : Rs.2,67,15,000)		
1.4 Deferred tax liabilities (net)		
Deferred tax liabilities		
- Timing differences on account of depreciation	17,81,55,987	17,04,24,957
Deferred tax assets		
- Unabsorbed tax depreciation and loss	1,17,17,420	2,37,95,927
- Provision for employees benefit	42,13,400	42,03,863
	<u>16,22,25,167</u>	<u>14,24,25,167</u>
1.5 Long term provisions		
Provision for employee benefit		
Compensated absences	1,26,84,277	1,26,55,568
	<u>1,26,84,277</u>	<u>1,26,55,568</u>
1.6 Short term borrowings		
Secured from banks		
Cash credit facilities	31,34,54,230	29,36,05,166
Goods loan facilities	2,51,07,048	—
Buyer's credit facilities	1,36,95,444	4,91,19,871
	<u>35,22,56,722</u>	<u>34,27,25,037</u>
Note:		
Refer note no.3.16 to the Financial Statements for the terms of the loans		
1.7 Current Liabilities - Trade payables		
Trade payables - including acceptances		
Micro, Small and Medium enterprises	8,57,915	6,05,728
Other trade payables	13,31,75,063	4,31,47,889
	<u>13,40,32,978</u>	<u>4,37,53,617</u>

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

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
1.8 Other current liabilities		
Current maturities of Long term debts	30,69,46,257	16,23,62,900
Interest accrued but not due on borrowings	8,71,169	2,38,865
Interest accrued and due on borrowings	83,73,516	72,48,767
Unclaimed dividends	6,82,988	8,78,977
Other payables	93,82,866	81,27,594
	<u>32,62,56,796</u>	<u>17,88,57,103</u>
Notes :		
i) Refer note no.3.16 to the Financial Statements for terms of current maturities of long term debts		
ii) Other payables include :		
- contribution payable to Gratuity Fund	35,21,996	14,38,982
- capital creditors	—	9,16,000
- advance from customers	25,77,170	29,30,354
- sales tax payable	1,10,849	15,17,924
1.09 Short term provisions		
Provision for employee benefit		
Compensated absences	4,67,893	4,52,656
	<u>4,67,893</u>	<u>4,52,656</u>
1.10 Please turn to next page (Page No. 30)		
1.11 Non-Current Investments		
Non-Trade Investments		
Investments in Equity instruments		
i) Associates		
20,00,000 (2013 : 20,00,000) Equity shares of Rs.10 each in SPMM Health Care Services Private Limited	2,00,00,000	2,00,00,000
ii) Others		
90,000 (2013 : 90,000) Equity shares of Rs.10 each in Sambandam Spinning Mills Limited #	45,00,000	45,00,000
200 (2013 : Nil) Equity shares of Rs.10 each in ARS Metal Private Limited	55,000	—
500 (2013 : Nil) Equity shares of Rs.10 each in Suryadev Alloys and Power Private Limited	68,000	—
	<u>2,46,23,000</u>	<u>2,45,00,000</u>
Less Provision for diminution in value towards SPMM Health Care Services Private Limited	45,29,000	—
	<u>2,00,94,000</u>	<u>2,45,00,000</u>
Notes :		
i) All investments are fully paid-up		
ii) Quoted investments (#) - Cost	45,00,000	45,00,000
- Market value	59,58,000	64,26,000
iii) Unquoted investments - Cost	2,01,23,000	2,00,00,000



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

1.10 Tangible assets and Capital work in progress

Rupees

Description	Gross block (Cost/valuation)			Depreciation / Amortisation / Impairment			NET BLOCK	
	As on 01.04.2013	Additions	Deduc- tions	As on 31.03.2014	Upto 31.03.2013	Charge during the year	Deduc- tions/ Adjust- ments	Upto 31.03.2014
Land - freehold	16,14,57,056	-	-	16,14,57,056	-	-	-	-
Buildings	38,41,02,773	47,29,817	-	38,88,32,590	9,50,67,382	1,26,45,407	-	10,77,12,799
Plant and machinery	108,05,48,712	1,59,55,291	-	109,65,04,003	62,08,93,249	4,17,28,591	-	66,26,21,840
Wind energy converters	48,14,81,624	-	-	48,14,81,624	28,87,26,856	2,49,09,721	-	31,36,36,577
Furniture and fittings	23,92,579	526,577	-	29,19,156	16,70,111	1,93,275	-	18,63,386
Vehicles	1,86,42,113	-	10,23,663	1,76,18,450	78,87,169	14,68,797	7,73,877	85,82,089
Office Equipment	30,93,784	60,240	-	31,54,024	18,09,786	2,53,691	-	20,63,477
Live stock	2,26,941	-	-	2,26,941	-	-	-	-
SUB TOTAL	213,19,45,582	2,12,71,925	10,23,663	215,21,93,844	101,60,54,553	8,11,99,482	7,73,877	109,64,80,158
Less :								
Transfer from Revaluation Reserve pertaining to Building	-	-	-	-	-	28,89,247	-	-
TOTAL	213,19,45,582	2,12,71,925	10,23,663	215,21,93,844	101,60,54,553	7,83,10,235	7,73,877	109,64,80,158
Previous year	212,46,40,385	1,07,15,757	34,10,560	213,19,45,582	93,33,19,718	8,20,95,218	22,49,630	101,60,54,553
Capital work in progress	-	-	-	-	-	-	-	-
Previous year	-	-	-	-	-	-	-	-

Notes :

i) Gross block includes Rs.23,09,00,807 added on revaluation of land and buildings as at March 31, 2009 based on report by an external valuer.

ii) Borrowing cost capitalised - 2014 Rs. Nil (2013 Rs. Nil)



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

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
1.12 Long term Loans and advances		
Unsecured, considered good		
Capital advances	1,02,36,720	61,16,756
Security deposits	2,18,72,508	1,59,14,072
Other loans and advances		
- employee advances	1,12,690	23,000
- Sales tax, ESI and others paid under protest	2,96,73,623	1,11,22,616
- Advance income tax (net of provisions)	29,35,161	25,54,604
- MAT credit entitlement	6,36,78,234	5,36,78,234
	<u>12,85,08,936</u>	<u>8,94,09,282</u>
1.13 Other Non-current assets		
Unamortised loan raising expenses	6,94,259	10,41,383
	<u>6,94,259</u>	<u>10,41,383</u>
1.14 Inventories		
Raw materials - Cotton	18,80,21,956	11,97,08,939
Work-in-progress - Cotton in process	9,86,61,849	10,07,63,879
Finished goods - Yarn	7,15,71,006	4,79,95,576
- Process waste	1,28,33,184	76,63,889
Stores and spares	32,13,654	67,75,724
	<u>37,43,01,649</u>	<u>28,29,08,007</u>
1.15 Trade receivables		
Unsecured, considered good		
Trade receivables		
Outstanding for morethan six months from the date they are due for paymen	—	31,78,727
Others	10,64,01,234	13,24,03,453
	<u>10,64,01,234</u>	<u>13,55,82,180</u>
1.16 Cash and bank balances		
(i) Cash and cash equivalents		
Balances with banks in Current account	3,52,462	12,42,823
Cash on hand	3,35,842	6,96,082
	<u>6,88,304</u>	<u>19,38,905</u>
(ii) Other bank balances		
Earmarked balances with Banks - Unclaimed dividend accounts	6,83,144	8,79,133
- Liquid assets deposits *	13,56,568	6,93,665
Deposits with Banks held as margin money	57,92,446	62,96,371
* under Companies (Acceptance of Deposits) Rules, 1975		
Of the above		
Bank deposits with morethan 12 months maturities Rs.48,12,345		
2013 Rs.6,08,235)		
	<u>85,20,462</u>	<u>98,08,074</u>
1.17 Short-term loans and advances		
Unsecured, considered good		
Material advances	1,86,07,367	64,69,198
Employee advances	3,96,350	2,19,450
Other receivables	1,37,90,086	1,28,25,133
	<u>3,27,93,803</u>	<u>1,95,13,781</u>
Of the above, other receivables include :		
- VAT credit	3,01,220	6,99,280
- Prepaid expenses	79,06,871	54,82,847
- Advance VAT/CST tax	37,09,320	—



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

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
1.18 Other current assets		
Interest accrued on deposits	2,29,210	2,51,144
Interest subsidy receivable	88,86,097	67,99,763
Export incentive receivable	11,68,205	10,42,718
Unamortised loan raising expenses	3,47,124	4,29,846
	<u>1,06,30,636</u>	<u>85,23,471</u>
	For the year ended March 31, 2014 Rupees	For the year ended March 31, 2013 Rupees
2.1 Revenue from operations		
Sale of products		
Yarn	186,94,76,234	153,77,43,194
Process waste	6,51,78,753	6,64,13,313
	<u>193,46,54,987</u>	<u>160,41,56,507</u>
Revenue from services		
Yarn conversion charges	—	2,21,640
Other operating revenues		
Scrap sales	7,20,334	5,18,150
Export incentives	8,20,632	9,59,207
	<u>193,61,95,953</u>	<u>160,58,55,504</u>
Less Trade rebate and discounts	71,600	4,80,588
	<u>193,61,24,353</u>	<u>160,53,74,916</u>
2.2 Other income		
Interest income from		
Security deposits and bank deposits	22,01,458	21,44,873
Others	1,86,337	3,136
Dividend income from Non-current investments	—	—
Other non-operating income		
Profit on sale of assets	—	2,31,259
Net gain on foreign currency transactions and translations	6,02,430	71,914
	<u>29,90,225</u>	<u>24,51,182</u>
2.3 Cost of materials consumed		
Cotton	119,69,21,432	84,25,42,236
Others	61,44,757	1,44,26,694
	<u>120,30,66,189</u>	<u>85,69,68,930</u>
Of the above		
Imported items - Amount	19,80,21,812	9,00,23,989
- Percentage	16.46%	10.50%
Indigenous items - Amount	100,50,44,377	76,69,44,941
- Percentage	100.00%	89.50%

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

	For the year ended March 31, 2014 Rupees	For the year ended March 31, 2013 Rupees
2.4 Changes in Inventories of finished goods and work-in-progress		
Work-in-progress	21,02,030	-32,49,369
Finished goods	-2,87,44,725	77,99,434
Net change in inventories	<u>-2,66,42,695</u>	<u>45,50,065</u>
2.5 Employee benefits expense		
Salaries, wages and bonus	17,01,07,886	14,44,41,512
Contribution to provident, gratuity and other funds	86,01,481	69,30,165
Welfare expenses	90,86,075	58,63,135
	<u>18,77,95,442</u>	<u>15,72,34,812</u>
2.6 Finance costs		
Interest	10,80,21,112	12,14,20,707
Other borrowing costs	53,09,026	22,99,648
	<u>11,33,30,138</u>	<u>12,37,20,355</u>
Other borrowing costs include amortisation on :		
Loan raising expenses	—	2,10,404
Premium on forward contracts	53,09,026	20,89,244
2.7 Depreciation and amortisation expense		
Tangible assets		
Buildings	1,26,45,407	1,55,99,112
Plant and machinery	4,17,28,591	4,21,52,697
Wind energy converters	2,49,09,721	2,49,09,720
Furniture and fittings	1,93,275	1,50,260
Office equipments	2,53,691	2,68,868
Vehicles	14,68,797	19,03,808
	<u>8,11,99,482</u>	<u>8,49,84,465</u>
Less Transfer from revaluation reserve	28,89,247	28,89,247
Total depreciation on tangible assets	<u>7,83,10,235</u>	<u>8,20,95,218</u>

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

	For the year ended March 31, 2014 Rupees	For the year ended March 31, 2013 Rupees
2.8 Other expenses		
Conversion charges	31,82,624	54,30,206
Consumption of stores and spares	2,35,17,350	2,78,88,367
Power and fuel-net	19,34,83,494	18,35,53,857
Rent	—	2,100
Repairs and maintenance - Buildings	12,68,777	7,99,595
- Plant and machinery	2,35,98,698	1,90,93,673
Insurance	14,17,361	15,03,263
Rates and taxes	11,13,333	12,47,065
Packing and forwarding chages	2,71,28,057	1,85,46,599
Brokerage and commission on sales	1,91,13,330	1,55,44,231
Travel and vehicle upkeep expenses	1,14,99,553	1,01,46,317
Donation and charity	3,71,916	2,84,780
Premium on hank yarn obligation charges	5,32,401	15,20,609
Printing and stationery	8,50,463	7,59,200
Directors' sitting fees	7,10,000	6,75,000
Bad debts written off	—	25,293
Bank and other financial charges	72,69,851	58,93,905
Loss on sale of assets	15,026	—
Miscellaneous expenses	56,87,745	75,15,545
	<u>32,07,59,979</u>	<u>30,04,29,605</u>
2.9 Exceptional item		
Diminution in value of long term investment		
- SPMM Health Care Services Private Limited	45,29,000	—
	<u>45,29,000</u>	<u>—</u>

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

	For the year ended March 31, 2014 Rupees	For the year ended March 31, 2013 Rupees
3.1 Information regarding Imports (c.i.f)		
Raw materials	19,80,21,812	9,00,23,989
Machinery spares	24,27,177	20,86,974
3.2 Foreign currency transactions and other financial information		
(i) Expenditure in foreign currency		
Interest	7,18,116	9,81,057
Travel	60,504	3,10,466
Others	2,24,800	—
(ii) Earnings in foreign currency		
Export of goods (FOB value)	3,89,40,130	—
Others (freight recoveries)	2,70,290	—
(iii) Remittance of dividend to Non-Resident Shareholders	—	—
3.3 Auditors' remuneration (included under Miscellaneous expenses (refer Note 2.8 to the Financial statements))		
(i) For financial audit	3,70,000	3,70,000
(ii) For cost audit	2,50,000	75,000
(iii) For taxation matters	1,50,000	1,50,000
(iv) For other services	1,72,000	1,67,000
(v) For reimbursement of expenses	1,25,125	1,23,678
3.4 Contingent liabilities		
(i) Claims against the company not acknowledged as debts	3,65,08,688	3,65,08,688
(ii) Bills discounted with banks	2,76,85,194	—
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)	5,08,17,482	4,43,33,683
3.6 Earnings per share		
Profit after taxation as per Statement of Profit and Loss (A)	3,81,66,290	5,85,27,113
Number of equity shares outstanding (B)	38,49,250	38,49,250
Basic and Diluted earnings per share (in Rupees) – Basic (A/B)	9.92	15.20

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

	For the year ended March 31, 2014 Rupees	For the year ended March 31, 2013 Rupees
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		
Kandagiri Spinning Mills Gratuity Trust		
(ii) Transactions with related parties		
(1) Key management personnel		
- Interest payment	27,52,801	28,35,246
- Dividend payment	—	—
- Remuneration	36,00,000	36,00,000
- Fixed deposits received	54,00,000	8,00,000
- Fixed deposits repaid	15,00,000	39,00,000
- Outstanding balances under Fixed deposits	2,65,08,015	2,19,75,000
(2) Parties where significant influence exists		
S. Palaniandi Mudaliar Charitable trust		
- Payments for employee welfare services	6,09,128	4,61,864
Kandagiri Spinning Mills Gratuity trust		
- Contribution paid/payable	35,21,996	14,38,982


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

- 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.
- (i) 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, 2013 US \$ Nil) as at March 31, 2014 and has a net unhedged exposure of US \$ 2,22,178 (March 31, 2013 US\$ 9,04,602).
- 3.12 Raw material consumed – others include consumption of yarn for manufacture of double yarn.
- 3.13 Power and fuel is net of value of power generated by Wind energy converters Rs.9,44,09,019 (2012-13 Rs.10,94,14,250).
- 3.14 Human resources – Particulars of managerial remuneration
- (i) To Managing Director – Salary Rs. 21,60,000 (2012-13 Rs.21,60,000),
Perquisites Rs.14,40,000 (2012-13 Rs.14,40,000);
 - (ii) To Joint Managing Director – Salary Rs.14,40,000 (2012-13 Rs.14,40,000),
Perquisites Rs. 9,60,000 (2012-13 Rs.9,60,000).
- 3.15 Depreciation / Amortisation – Depreciation for the year computed on revalued assets includes a charge of Rs.28,89,247 (2012-13 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.



(Rupees)

3.16 Details of Long Term Borrowings:

	Bank Name	March 31, 2014			Particulars of Repayment	March 31, 2013			Rate of Interest %
		Non Current Rupees	Current Rupees	Total Rupees		Non Current Rupees	Current Rupees	Total Rupees	
a.	Secured Loans:								
i)	Term loans from Banks								
	State Bank of India Term Loan 1	-	2,62,00,000	2,62,00,000	21 monthly instalments of Rs.25 lakhs each and one monthly instalment of Rs.37.50 lakhs (2013-14 Rs.300 lakhs, 2014-15 Rs.262.50 lakhs)	2,62,49,990	3,00,00,000	5,62,49,990	13.65
	State Bank of India Term Loan 3	1,09,00,000	1,20,00,000	2,29,00,000	11 monthly instalments of Rs.10 lakhs each, one monthly instalment of Rs.15 lakhs, 11 monthly instalment of Rs.9 lakhs each, one monthly instalment of Rs.16 lakhs, 5 monthly instalment of Rs.18 lakhs each and one monthly instalment of Rs.20 lakhs (2013-14 Rs.125 lakhs, 2013-14 Rs.115 lakhs, 2014-15 Rs.110 lakhs)	2,24,68,582	1,25,00,000	3,49,68,582	13.65
	State Bank of India Term Loan 4	7,02,60,000	51,60,000	7,54,20,000	18 monthly instalment of Rs.4.30 lakhs each, 12 monthly instalment of Rs.8.60 lakhs each, 12 monthly instalment of Rs.29 lakhs each and 6 monthly instalment of Rs.41.90 lakhs each (2013-14 Rs.25.80 lakhs, 2014-15 Rs.51.60 lakhs, 2015-16 Rs.103.20 lakhs, 2016-17 Rs.348 lakhs and 2017-18 Rs.251.40 lakhs)	7,54,20,000	25,80,000	7,80,00,000	13.65

Note: State Bank of India Term Loan 2 fully repaid by March 2012.



Bank Name	March 31, 2014				Particulars of Repayment	March 31, 2013			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 1	3,28,99,812	2,30,00,000	5,58,99,812	14.00	13 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 (2013-14 Rs.120 lakhs, 2014-15 Rs.230 lakhs, 2015-16 Rs.329 lakhs)	5,58,99,812	1,20,00,000	6,78,99,812	14.00
Karnataka Bank Ltd Term Loan 2	-	20,38,82,972	20,38,82,972	14.00	1 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 (2013-14 Rs.575 lakhs, 2014-15 Rs.2039 lakhs)	20,38,82,974	5,75,00,000	26,13,82,974	14.00
Karnataka Bank Ltd Term Loan 3	-	1,04,80,484	1,04,80,484	14.00	1 quarterly instalments of Rs.30 lakhs each, 4 quarterly instalments of Rs.36 lakhs each and one quarterly instalment of Rs.69 lakhs (2013-14 Rs.138 lakhs, 2014-15 Rs.105 lakhs)	1,04,85,419	1,38,00,000	2,42,85,419	14.00
Karnataka Bank Ltd Term Loan 4	7,02,60,000	51,60,000	7,54,20,000	13.75	6 monthly instalment of Rs.4.30 lakhs each, 12 monthly instalment of Rs.8.60 lakhs each, 12 monthly instalment of Rs.29 lakhs each and 6 monthly instalment of Rs.41.90 lakhs each (2014-15 Rs.51.60 lakhs, 2015-16 Rs.103.20 lakhs, 2016-17 Rs.348 lakhs and 2017-18 Rs.251.40 lakhs)	7,54,20,000	25,80,000	7,80,00,000	13.75



(Rupees)

3.16 Details of Long Term Borrowings (Contd.):

	Bank Name	March 31, 2014				Particulars of Repayment	March 31, 2013			
		Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %		Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %
	Axis Bank Ltd Term Loan	1,50,00,000	60,00,000	2,10,00,000	13.75	42 monthly instalments of Rs.5 lakhs each (2013-14 Rs.60.00 lakhs, 2014-15 Rs.60 lakhs, 2015-16 Rs.60 lakhs and 2016-17 Rs.30 lakhs)	-	-	-	-
	HDFC Bank Ltd Bus Loan	1,71,143	2,06,000	3,77,143	11.00	36 monthly instalments	5,82,852	4,11,432	9,94,284	11.00
	HDFC Bank Ltd Bus Loan	2,85,571	3,43,000	6,28,571	10.51	36 monthly instalments	7,65,712	2,05,716	9,71,428	10.51
	HDFC Bank Ltd Bus Loan	1,71,852	4,11,000	5,82,852	10.51	36 monthly instalments	2,40,005	3,42,852	5,82,857	10.51
	HDFC Bank Ltd Bus Loan	0.00	43,040	43,040	10.25	36 monthly instalments	43,040	5,16,672	5,59,712	10.25
	IOICI Bank Ltd Bus Loan	0.00	-	-	9.75	31 monthly instalments	-	3,88,876	3,88,876	9.75
	Federal Bank Car Loan	0.00	1,27,761	1,27,761	10.71	36 monthly instalments	1,27,761	2,01,352	3,29,113	10.71
ii)	Cash credit from banks									
	State Bank of India		13,83,61,829	13,83,61,829	13.75	On demand	-	13,04,24,937	13,04,24,937	13.45
	Karnataka Bank Ltd		14,90,02,341	14,90,02,341	13.75	On demand	-	11,78,25,237	11,78,25,237	13.75
	Axis Bank Ltd		2,60,90,060	2,60,90,060	13.25	On demand	-	4,53,54,992	4,53,54,992	13.00



(Rupees)

3.16 Details of Long Term Borrowings (Contd.):

	Bank Name	March 31, 2014				Particulars of Repayment	March 31, 2013			Rate of Interest %
		Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %		Non Current Rupees	Current Rupees	Total Rupees	
iii)	Short term loan from banks									
	Goods Loan from Karur Vysya Bank Ltd	-	2,51,07,048	2,51,07,048	12.00	Repayable on March 16, 2015	-	-	-	-
	Buyers credit loan (FC)	-	1,36,95,444	1,36,95,444	1.82	Repayable on April 17, 2013, July 22, 2013, July 26, 2013, July 29, 2013, August 2, 2013,	-	4,91,19,871	4,91,19,871	-
		19,99,48,378	64,52,70,979	84,52,19,357			47,15,86,148	47,57,51,937	94,73,38,085	

- (i) Term loans from banks aggregating Rs.45,78,22,784 (March 31, 2013 Rs.54,15,32,776) are secured by a first charge on the Company's fixed assets subject to the charge stated in (ii) to (v) infra and secured by a second charge on the Company's current assets;
- (ii) Term loans from banks to an extent of Rs.3,33,80,484 (March 31, 2013 Rs.5,92,54,001) are secured by a first charge on the Company's wind mills;
- (iii) Term loans from banks to an extent of Rs.17,59,367 (March 31, 2013 Rs.38,26,270) are secured by hypothecation of certain buses and cars;
- (iv) Cash credit/short term 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 fixed assets excluding the charges mentioned in (ii) to (iii) supra;
- (v) Goods loan facilities are secured by pledge of stock of cotton;
- (vi) All the above loans are guaranteed by three directors.

b. Unsecured Loans:										
Fixed deposits	4,86,12,000	1,39,32,000	6,25,44,000	9.00 to 12.50			2,88,24,500	293,36,000	5,81,60,500	9.00 to 12.50
	4,86,12,000	1,39,32,000	6,25,44,000				2,88,24,500	293,36,000	5,81,60,500	



3.17 Employee benefits -

(i) Defined Employee benefit plans - As per Actuarial valuation as on March 31, 2014

Rs. lakhs

	Gratuity (funded)					Compensated absences (unfunded)				
	2013-14	2012-13	2011-12	2010-11	2009-10	2013-14	2012-13	2011-12	2010-11	2009-10
A. Expenses recognised in the statement of profit and Loss Accounting for the year ended Mar 31, 2014										
(i) Current service cost	19.86	16.38	14.40	11.05	12.32	0.89	1.08	1.02	1.00	0.97
(ii) interest cost	14.81	12.06	9.90	8.47	7.24	10.13	10.47	9.40	9.12	8.18
(iii) Expected return on plan assets	-9.02	-7.63	-6.81	-4.98	-3.69	-	-	-	-	-
(iv) Net actuarial(gain)/loss recognised during the year	9.57	-6.42	14.10	-4.97	-7.80	-10.73	-5.35	-7.53	-6.61	2.53
Total expenses	35.22	14.39	31.59	9.58	8.07	0.29	6.20	2.89	3.51	11.68
B. Actual return on plan assets										
(i) Expected return on plan assets	9.02	7.63	6.81	4.98	3.69	-	-	-	-	-
(ii) Actuarial(gain)/loss on plan assets	14.38	13.18	3.78	15.78	18.35	-	-	-	-	-
(iii) Actual return on plan assets	23.40	20.81	10.59	20.76	22.04	-	-	-	-	-
C. Net asset/(liability) recognised in the balance sheet										
(i) Present value of the obligation	191.33	176.55	160.31	129.28	112.90	126.84	126.56	120.36	117.47	113.96
(ii) Fair value of plan assets	106.90	127.34	84.31	84.88	60.46	-	-	-	-	-
(iii) Funded status (surplus/deficit)	-84.43	-49.21	-75.99	-44.40	-52.44	-126.84	-126.56	-120.36	-117.47	-113.96
(iv) Unrecognised past service cost	-	-	-	-	-	-	-	-	-	-
(v) Net Asset/(liability) recognised in the balance sheet	-84.43	-49.21	-75.99	-44.40	-52.44	-126.84	-126.56	-120.36	-117.47	-113.96

3.17 Employee benefits -

(i) Defined Employee benefit plans - As per Actuarial valuation as on March 31, 2014 (Contd.)											Rs. lakhs			
	Gratuity (funded)					Compensated absences (unfunded)								
	2013-14	2012-13	2011-12	2010-11	2009-10	2013-14	2012-13	2011-12	2010-11	2009-10				
D. Change in Present value of the obligation during the year														
(i) Present value of the obligation as at beginning of the year	176.55	160.31	129.28	112.90	98.20	126.56	120.36	117.47	113.96	102.28				
(ii) Current service cost	19.86	16.38	14.40	11.05	12.32	0.89	1.08	1.02	1.00	0.97				
(iii) interest cost	14.81	12.06	9.90	8.47	7.24	10.13	10.47	9.40	9.12	8.18				
(iv) Benefits paid	-29.46	-18.97	-11.16	-13.96	-15.42	-	-	-	-	-				
(v) Actuarial(gain)/loss on obligation	9.57	6.76	17.89	10.82	10.54	-10.73	-5.35	-7.53	-6.61	2.53				
(vi) Present value of obligation as at end of the year	191.33	176.55	160.31	129.28	112.90	126.85	126.56	120.36	117.47	113.96				
E. Change in assets during the year														
(i) Fair value of plan assets as at beginning of the year	127.34	84.31	84.88	60.46	53.84	-	-	-	-	-				
(ii) Expected return on plan assets	9.02	7.63	6.81	4.98	3.69	-	-	-	-	-				
(iii) Contributions	14.38	41.19	-	17.62	-	-	-	-	-	-				
(iv) Benefits paid	-29.46	-18.97	-11.16	-13.96	-15.42	-	-	-	-	-				
(v) Actuarial(gain)/loss on plan assets	14.38	13.18	3.78	15.78	18.35	-	-	-	-	-				
(vi) Fair value of plan assets as at end of the year	106.89	127.34	84.31	84.88	60.46	-	-	-	-	-				
F. Experience adjustments in														
(i) Plan liabilities - loss(gain)	9.57	6.76	17.89	10.82	10.54	-10.73	-5.35	-7.53	-6.61	2.53				
(ii) Plan assets - loss(gain)	14.38	13.18	3.78	15.78	18.35	-	-	-	-	-				
G. Major categories of plan assets as a percentage of total plan						Unfunded	Unfunded	Unfunded	Unfunded	Unfunded				
(i) Government of India securities	-	-	6%	6%	6%	-	-	-	-	-				
(ii) State Government Securities	5%	5%	8%	8%	8%	-	-	-	-	-				
(iii) High Quality Corporate bonds	-	-	-	-	-	-	-	-	-	-				
(iv) Special Deposit Scheme	-	-	-	-	-	-	-	-	-	-				
(v) Other (Bank deposits)	34%	34%	46%	37%	41%	-	-	-	-	-				
(vi) SBI Life insurance company	61%	61%	40%	49%	45%	-	-	-	-	-				
(vii) Total	100%	100%	100%	100%	100%	-	-	-	-	-				



3.17 Employee benefits -

(i) Defined Employee benefit plans - As per Actuarial valuation as on March 31, 2014 (Contd.)

Rs. lakhs

	Gratuity (funded)					Compensated absences (unfunded)				
	2013-14	2012-13	2011-12	2010-11	2009-10	2013-14	2012-13	2011-12	2010-11	2009-10
H. Actuarial Assumptions										
(i) Discount rate	9.15%	8%	8%	8%	8%	8%	8%	8%	8%	8%
(ii) Salary escalation rate	4%	4%	4%	4%	4%	7.50%	7.50%	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 estimated 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.4,53,631 (2012-13 Rs.4,52,656)
- Contribution to provident, gratuity and other funds include contribution to provident fund and family pension fund contribution of Rs.50,79,485 (2012-13 Rs.54,91,183) and gratuity fund of Rs.35,21,996 (2012-13 Rs.14,38,982).
- Workmen and staff welfare expenses include contribution to employees state insurance of Rs.16,89,508 (2012-13 Rs.12,99,764)

3.18 The figures for the previous periods have been reclassified/regrouped/amended, wherever necessary.

Signatures to Statement of Accounting Policies and Notes to Financial Statements

For and on behalf of the Board
R. Selvarajan
Chairman and Managing Director
S. Devarajan
Director
J. Asifa
Company Secretary
S. Vijay Shankar
Chief Financial Officer

Salem,
May 30, 2014


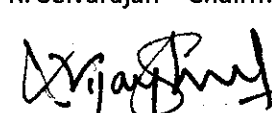




38th Annual Report

**Kandagiri Spinning Mills Limited,
Post Bag No. 3, Udayapatti,
Salem - 636 140**

FORM A

Format of covering letter of the annual report to be filled with the Stock Exchanges

1.	Name of the Company	Kandagiri Spinning Mills Limited
2.	Annual financial statements for the year ended	March 31, 2014
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	NA
5.	To be signed by –	
	<ul style="list-style-type: none"> CEO/Managing Director 	 R. Selvarajan – Chairman and Managing Director
	<ul style="list-style-type: none"> CFO 	 S. Vijay Shankar - CFO
	<ul style="list-style-type: none"> Auditor of the Company 	 R. Krishnen – Partner M.S. Krishnaswami & Rajan
	<ul style="list-style-type: none"> Audit Committee Chairman 	 Dr. V. Gopalan – Chairman of Audit Committee

