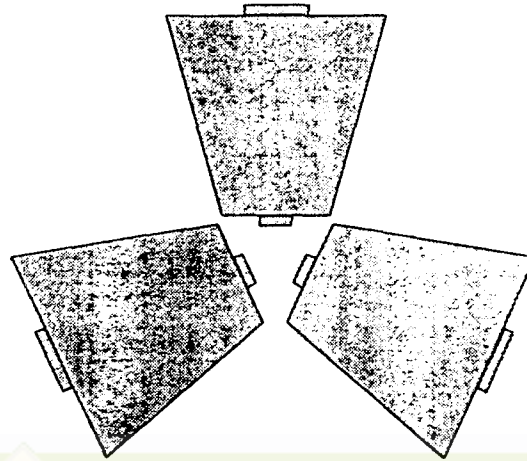


MD	✓		BKC	✓
CS	NA		EDY	NA
RO	✓		DIV	✓
TRA	✓		AG	✓
AGM	✓	✓	SE	✓
YE	✓	✓		✓



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Kandagiri Spinning Mills Ltd.

*Twenty First Annual Report
1996-97*





Kandagiri Spinning Mills Limited

Board of Directors

S.P.RATNAM

Chairman

K.R.MANICKA MUDALIAR

Managing Director

S.P.RAJENDRAN

Joint Managing Director

Directors

S.P.SAMBANDAM

M.RAJAMANI

M.SIGAMANI

S.DEVARAJAN

A.G.VENKATESAN

A.R.NATARAJAN

A.R.ANNAMALAI

K.S.GANAPATHI

K.K.RAMASWAMY

R.KANDASWAMI (Nominee of ICICI)

Financial Institution

Industrial Credit and Investment Corporation of India Ltd., Coimbatore

Bankers

Karnataka Bank Limited, Salem

State Bank of India, Salem

Auditors

M.S.KRISHNASWAMI & RAJAN,

Chartered Accountants,

Salem - 636 002.

Registered Office

Mill Premises, Udayapatti (P.O.), Salem - 636 140.

Mills

Unit I

Udayapatti (P.O.), Salem - 636 140.

Unit II

Seshanchavadi (P.O.), Salem - 636 111.



Kandagiri Spinning Mills Limited

SIGNIFICANT INFORMATION

Particulars		1996-97	1995-96	1994-95	1993-94	1992-93	1991-92
Fixed Assets	(Rs.lakhs)	2231.26	2030.78	1717.38	1428.38	1052.80	520.98
Net Current Assets	-	1595.52	1652.50	1463.15	668.72	305.70	319.35
Total Capital employed	-	3998.06	3868.76	3319.40	2114.30	1358.50	840.33
Shareholders' funds	-	1692.30	1596.70	1507.27	663.40	548.33	448.18
No. of Shares		38,65,650	38,65,650	38,65,650	23,65,650	23,65,650	67,590
Bonus Issue		—	—	—	—	5 : 2	—
Net Worth per Share	Rs.	43.78	41.30	39.0	28.0	23.2	66.3
Sales	(Rs.lakhs)	5078.88	4664.12	4060.76	2323.27	1642.30	1302.03
Operating Profit	-	681.48	528.95	621.77	460.37	295.07	217.66
Profit Before Tax	-	171.66	118.43	237.86	201.37	199.47	229.19
Retained Earnings	-	331.28	208.24	351.30	246.69	176.79	111.29
Dividends	%	20	20	20	20	20	20
Earnings per Share	Rs.	3.87	3.11	8.44	6.86	5.5	21.0
Installed Capacity	Spindles	39,932	39,932	38,012	33,212	28,492	24,652
	Rotors	168	168	168	168	—	—

Notes

1. Each Equity Share of Rs.100 was sub-divided into Ten Equity Shares of Rs.10 each in September 1992.
2. Profit Before Tax for 1991-92 is inclusive of Rs.83.20 lakhs being earlier years' excess depreciation withdrawn.
3. Earnings per Share and Net Worth per Share for the year 1991-92 are on the basis of face value of Rs.10 per share for comparative purposes.



Kandagiri Spinning Mills Limited

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the TWENTY FIRST ANNUAL GENERAL MEETING of KANDAGIRI SPINNING MILLS LIMITED will be held at the Registered Office of the Company on Thursday, August 7, 1997 at 16.00 hours to transact the following business

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 1997 and Profit and Loss Account for the year ended that date and the reports of the Directors and the Auditors.
2. To declare a dividend.
3. To appoint a Director in the place of Sri.S.P.Ratnam, who is retiring by rotation and being eligible, offers himself for re- appointment.
4. To appoint a Director in the place of Sri.M.Rajamani, who is retiring by rotation and being eligible, offers himself for re- appointment.
5. To appoint a Director in the place of Sri.M.Sigamani, who is retiring by rotation and being eligible, offers himself for re- appointment.
6. To appoint Auditors and fix their remuneration.

Registered Office
Mill Premises, Udayapatti,
SALEM - 636 140.
June 20, 1997

By order of the Board,

S.P.RATNAM
Chairman

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
2. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from August 1, 1997 to August 7, 1997 (both days inclusive).

Kandagiri Spinning Mills Limited



DIRECTORS' REPORT

1. The Year in Retrospect

The year 1996-97 was a period full of uncertainties for the Country so far as the political scenario is concerned. Hence it is a matter of great satisfaction that despite the resultant fluid situation, industrial production did not in any way suffer. Concerning the textile industry, the prices of cotton ruled very high and those of yarn remained unremunerative during most part of the year. The situation eased up only during the last quarter of the year. The bottlenecks faced by the industry during the year could be summarised as under

- (i) Untimely announcement of cotton export by the Government had a triggering effect on cotton prices by speculative elements.
- (ii) Government's move to allow export of cotton under OGL had the effect of pushing quality cotton out of India and hence the same was not available for the Indian Spinning Mills thereby affecting the quality of the yarn exported. This resulted in loss of valuable foreign exchange.
- (iii) Exports of cotton yarn would have risen still higher but for the restrictions imposed by the Government through annual quantitative ceiling. Further, such exports are linked to the fulfilment of hank yarn obligation which were compelled by circumstances of the political regime.
- (iv) Anti dumping levies imposed by the European commission of exports of grey cotton fabrics from India had its own toll on the offtake of yarn for such exports.
- (v) Collection of yarn sales remained sluggish for a major part of the year due to restrictions imposed by banks on drawings.

2. Performance of the Company

Your Company's performance will have to be viewed from the abovementioned backdrop of difficulties and tribulations. It is a matter of great gratification for your Directors to inform that the Company's gross turnover increased to Rs.5079 lakhs from Rs.4664 lakhs in the previous year registering a growth of 8.90% mainly due to the splendid efforts of the management team.

3. Profits

	(Rupees Lakhs)	
	1996-97	1995-96
Profit before depreciation	438.64	284.27
Profit before tax	171.66	118.43
Tax on Profits	22.50	—
Profit after tax	149.16	118.43
Balance profit from prior year	8.21	5.82
Appropriation	157.37	124.25
Dividend proposed 20%	77.15	76.04
Tax on above Dividend	7.71	—
Transfer to General Reserve	60.00	40.00
	144.86	116.04
Balance Profit carried to next year	12.51	8.21



Kandagiri Spinning Mills Limited

Directors' Report (Contd.)

4. Dividend

Your Directors have recommended a dividend of 20% for the year 1996-97 absorbing Rs.77,14,800. The above dividend will be paid on prorata basis.

5. Finance and Accounts

After making the appropriations mentioned above, the reserves including share premium and unappropriated profit stood at Rs.1307 Lakhs at the end of the year.

The total amount of deposits at the end of the year was Rs.399.06 lakhs as against Rs.375.27 at the beginning of the year. There were no overdue/unclaimed deposits at the close of the year.

The total capital expenditure incurred during the year amounted to Rs.440.07 lakhs as against Rs.459.53 lakhs last year.

6. Future Prospects

The favourable trend seen as the light at the end of the tunnel during the last quarter of the year did not continue in the first two months of the current year. The much expected reduction in cotton prices did not materialise and on the contrary prices are showing an uptrend. In view of the above, unless the yarn prices in the export front turn more favourable and the cotton and yarn prices become more remunerative your Directors are not in a position to hazard any favourable change in the profitability of the Company. The expansion in the spindle capacity could not be achieved during 1996-97 due to the uncertain market conditions. The same is expected to be the position in the current year also.

7. Directors

Sarvasri.S.P.Ratnam, M.Rajamani, M.Sigamani are the Directors retiring by rotation and they offer themselves for re-election.

8. Auditors

Sarvasri M.S.Krishnaswami & Rajan, Chartered Accountants, are the retiring auditors. You are requested to appoint auditors for the current year and fix their remuneration.

9. Human Resources

The Board wishes to place on record its appreciation of the contribution made by all employees in ensuring the high levels of performance and growth that your Company has achieved during the year.

10. Acknowledgements

Your Directors wish to place on record their sincere appreciation for the continued timely financial assistance and co-operation extended by Industrial Credit and Investment Corporation of India Ltd., the State Government of Tamil Nadu, Karnataka Bank Limited and the State Bank of India.

On behalf of the Board,

SALEM
June 20, 1997

S.P.RATNAM
Chairman