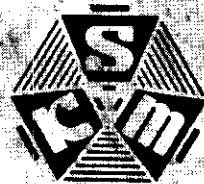


XXIII ANNUAL REPORT 1998-99



REPORT ON THE
XXIII ANNUAL REPORT
1998-99

Kandagiri Spinning Mills Ltd.



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)

Company Secretary

R.S. SRINEVASAN

Financial Institution

ICICI Limited, 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		1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
Fixed Assets	(Rs.lakhs)	2166.17	2302.65	2231.26	2030.78	1717.38	1428.38
Net Current Assets	"	2111.52	2176.45	1595.52	1652.50	1463.15	668.72
Total Capital Employed	"	4429.80	4641.11	3998.06	3868.76	3319.40	2114.30
Shareholders' Funds	"	1802.10	1784.79	1692.30	1596.70	1507.27	663.40
No. of Shares		38,65,650	38,65,650	38,65,650	38,65,650	38,65,650	23,65,650
Bonus Issue		—	—	—	—	—	—
Net Worth per Share	(Rs.)	47	46	44	41	39	28
Sales	(Rs.lakhs)	5208.52	5149.85	5078.88	4665.30	4060.76	2323.27
Operating Profit	"	670.91	718.52	681.48	528.95	621.77	460.37
Profit Before Tax	"	112.48	172.17	171.66	118.43	237.86	201.37
Retained Earnings	"	304.77	326.27	331.28	208.24	351.30	246.69
Dividends	(%)	20	20	20	20	20	20
Earnings per Share	(Rs.)	2.56	3.78	3.87	3.11	8.44	6.86
Spindle Capacity	(Spindles)	39,932	39,932	39,932	39,932	38,012	33,212
	(Rotors)	168	168	168	168	168	168

Note

Increase in Share Capital during the years 1994-95 to 1996-97 has been annualised for the purpose of computing the earnings per share.



Kandagiri Spinning Mills Limited

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **TWENTY THIRD ANNUAL GENERAL MEETING** of **KANDAGIRI SPINNING MILLS LIMITED** will be held at the Mill Premises, Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem - 636 014 on Wednesday, the 1st day of September, 1999 at 11.30 hours to transact the following business :

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 1999 and Profit and Loss Account for the year ended that date and the report of the Directors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in the place of the following Directors, who are retiring by rotation and being eligible, offer themselves for re-appointment.
a) Sri. S. Devarajan b) Sri. A.G. Venkatesan and c) Sri. A.R. Natarajan
4. To appoint Auditors and fix their remuneration.

Registered Office
Mill Premises, Udayapatti,
Salem - 636 140.
May 26, 1999

By order of the Board,

R.S.SRINEVASAN
Company Secretary

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 26, 1999 to September 1, 1999 (both days inclusive).
4. Members are hereby informed that all unpaid/unclaimed dividends declared for and upto the financial year ended March 31, 1995 amounting to Rs.5903/- have been transferred to the General Reserve Account of the Central Government. The above transfer has been made by way of abundant caution. Members who have not encashed the dividend warrant for the said period are requested to obtain the amount from The Registrar of Companies, Coimbatore - 641 018.
5. The Company's equity Shares are listed in Mumbai, Chennai and Coimbatore Stock Exchanges and the annual listing fees for the said stock exchanges have been paid upto March 31, 2000.



Kandagiri Spinning Mills Limited

DIRECTORS' REPORT

The Directors present their report for the year ended March 31, 1999 together with the audited financial accounts for the said year.

2. Year in retrospect

2.1 For the Industry

The textile industry and particularly the predominantly cotton based textile mills sector in the Southern region, is facing the worst crisis ever. The average profitability of the textile mills has been sliding down during the past three years with the majority of the mills incurring losses. Factors responsible in the main for this situation have been :

- (i) Sluggishness in movement of yarn due to the mismatch between the supply of yarn and its demand.
- (ii) No parity between Cotton and Yarn Prices.
- (iii) Increase in all input costs, particularly wages and the sharp rise in power tariffs, particularly in Tamil Nadu.
- (iv) Absence of infrastructural facility and procedural bottle necks at bureaucratic levels.
- (v) Impact of South East Asian Currency crisis on Cotton yarn exports.

Added to these, is the huge hike in excise duty on Cotton Yarn recently imposed. The Government of India is fully seized of the crisis and it is a matter of consolation that it has come up with welcome measures like Technology upgradation Fund Scheme making available funds at lower rate of interest for modernisation and investment in the State of the Art Technology to face the challenges of the Demanding Domestic Consumers and integrated world market.

We have only to hope that further ameliorative measures, concessions and reliefs might be forthcoming and the situation would improve by the beginning of the new millennium for the revival of the market by then and the industry will emerge stronger once again.

2.2 For the Company

Our Company is equipped with modern state of art machinery, good quality of cotton for all ranges of Counts, Skilled labour, and well spread net work for yarn sales. As such, we were able to weather the storm to a great extent and report moderate working results. The following key indicators of revenue and costs will reveal the innate strength of the Company and its performance.

	1998-99	1997-98
	(Rupees lakhs)	
Sales (net) - Within India	5165.52	5109.38
- Export	43.00	40.47
- Total Turnover	5208.52	5149.85
Cotton Cost	3104.72	3118.13
Stores and Packing Cost	161.11	155.30
Power Cost	659.35	569.80
Human Resources Cost	381.54	318.36
Finance Cost (Net)	278.57	295.10
Profit before Interest and Depreciation (i.e., Operating Profit)	670.91	718.52
Profit before Depreciation (i.e., Cash Profit)	403.91	437.14
Profit before Tax	112.48	172.17
Earnings per share	2.56	3.78



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