

# **XXIV ANNUAL REPORT 1999-2000**



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## **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		1999-00	1998-99	1997-98	1996-97	1995-96	1994-95
Fixed Assets	(Rs.lakhs)	2074.25	2166.17	2302.65	2231.26	2030.78	1717.38
Net Current Assets	"	1956.67	2111.52	2176.45	1595.52	1652.50	1463.15
Total Capital Employed	"	4176.26	4429.80	4641.11	3998.06	3868.76	3319.40
Shareholders' Funds	"	1841.55	1802.10	1784.79	1692.30	1596.70	1507.27
No. of Shares		38,65,650	38,65,650	38,65,650	38,65,650	38,65,650	38,65,650
Bonus Issue		—	—	—	—	—	—
Net Worth per Share	(Rs.)	48	47	46	44	41	39
Sales	(Rs.lakhs)	4978.02	5208.52	5149.85	5078.88	4665.30	4060.76
Operating Profit	"	674.04	670.91	718.52	681.48	528.95	621.77
Profit Before Tax	"	119.37	112.48	172.17	171.66	118.43	237.86
Retained Earnings	"	316.78	304.77	326.27	331.28	208.24	351.30
Dividends	(%)	20	20	20	20	20	20
Earnings per Share	(Rs.)	2.70	2.56	3.78	3.87	3.11	8.44
Spindle Capacity	(Spindles)	39,932	39,932	39,932	39,932	39,932	38,012
	(Rotors)	168	168	168	168	168	168



## Kandagiri Spinning Mills Limited

### NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the TWENTY FOURTH 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 Monday, the 11th day of September, 2000 at 17.00 hours to transact the following ordinary business :

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2000 and Profit and Loss Account for the year ended that date and the report of the Directors thereon.
2. To record the Interim Dividend on Equity Shares paid as per Board Resolution dated April 3, 2000.
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 25, 2000

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 September 5, 2000 to September 11, 2000 (both days inclusive).
4. 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, 2001.



## Kandagiri Spinning Mills Limited

### DIRECTORS' REPORT

The Directors present their report for the year ended March 31, 2000 together with the audited financial accounts for the said year.

#### 2. Textile Industry - An overview of year's scenario

2.1 The year under review is one of both triumph and tribulation for the Industry. While it may have crossed the bottom of the trough, the end of the tunnel is not visible as yet. On the one hand, availability of quality cotton has increased substantially due to increased production at USA and China leading to stock piling and fall in prices. However, the other adverse factors such as steep increase in the other input costs such as power, interest and overheads and recession in the domestic sector made their inroads into the already reduced margins and resulted in consequent liquidity crunch continuously in the last four years, which continues to harass this mother industry so much that many mills have closed down or are about to stop their operations. A consequence of this is that there is some striking of a balance between demand and supply albeit it is through closure of units and not through increased level of consumption. As against this, on the export front, bumper crop in USA and substantial carry over stock in China have encouraged CIS countries to put up new spinning units. This new and high competition abroad, has dampened the price sensitive market and lowered the country's exports to Europe. Low margins and realisation difficulties at the Far East are yet to improve and as such, our exports to these countries have not picked up. Again, the large and medium spinning mills, sandwiched as they are between EOUs and SSI Units, have to stave off unfair competition from such units arising in the form of duty concession granted by the Government to the detriment of other and bigger units.

2.2 Due to WTO pressures, competition in both domestic and international markets is likely to intensify and this is likely to destabilise indigenous industry. Textile Industry, though it has the strongest raw material and labour base, with its over capacity, poor productivity of labour and machines, tardy export procedures and excessive controls, finds it difficult to compete with other production bases which have sophisticated technologies. China has taken the steps to maintain balance by drastic measures such as scrapping of 10 million spindles. But replication of this in India is not possible. However, to turn around, the country has to think long term in terms of quality improvement through consolidation with no additions to spindleage and not reviving unviable units, especially in the public and co-operative Sectors. In the future, Spinning Industry has to gear itself to change the product mix in tune with market preference and production of excellent yarn.

#### 3. Company's performance

3.1 Though the problems which afflicted the textile industry had their own impact on your Company's performance, your Company could still maintain its profitability by managing its costs proactively and side-step the presence on price realisation by following a policy of adherence to quality and technology upgradation.



## Kandagiri Spinning Mills Limited

### Directors' Report (Contd.)

3.2 The key figures of revenue and costs are given below with comparative figures for the previous year :

	1999-00	1998-99
	(Rupees lakhs)	
Sales (net) - Direct Export	—	43
- Merchandise Export	1426	2015
- Within India	3552	3151
- Total Turnover	4978	5209
Cotton Cost	2693	3105
Stores and Packing Cost	175	161
Power Cost	806	659
Human Resources Cost	384	381
Finance Cost (Net)	264	279
Profit before Interest and Depreciation (i.e., Operating Profit)	674	671
Profit before Depreciation (i.e., Cash Profit)	417	404
Profit before Tax	119	112
Earnings per Share	Rs. 2.70	Rs. 2.56

3.3 The results for the year would have been even better but for the steep increase in power cost engendered by increase in diesel cost by 34% in October 1999.

3.4 Your Board is optimistic, barring unforeseen circumstances, of better operating results in the current year.

### 4. Dividend

Your Board at its meeting held on April 3, 2000 decided to pay an interim dividend at 20% on the equity share capital for the year under report which absorbed Rs.94.91 lakhs including the tax on dividend. In view of the actual results for the year being almost the same as considered for the interim dividend, the Board has decided not to recommend any further dividend for the year.

### 5. Finance and accounts

5.1 The Board has made a provision of Rs.15 lakhs towards current tax and appropriated Rs.20 lakhs by transfer to General Reserve. As at March 31, 2000 your Company's reserves, including share premium and unappropriated profit, aggregated Rs. 1456 lakhs.

5.2 Your Company availed term loans from Financial Institutions towards Working Capital to an extent of Rs.400 lakhs and repaid term loans to an extent of Rs.419 lakhs. Further, fixed deposits at the end of the year stood at Rs.41 lakhs as against Rs.157 lakhs at the end of the earlier year. There were, no overdue/ unclaimed deposits outstanding at the closing of the year.

5.3 The Company incurred capital expenditure of Rs.199 lakhs as against Rs. 155 lakhs in the earlier year.

### 6. Directors

The Directors, Sarvasri S.Devarajan, A.G.Venkatesan and A.R.Natarajan retire by rotation and are eligible for reappointment.