

# **XXV ANNUAL REPORT**

## **2000-01**



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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)

### Financial Institution

ICICI Limited, Coimbatore

### Bankers

Karnataka Bank Limited, Salem

State Bank of India, Salem

### Auditors

M.S.KRISHNASWAMI & RAJAN,  
Chartered Accountants,  
Salem - 636 007.

### 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**

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## Kandagiri Spinning Mills Limited

**SIGNIFICANT INFORMATION**

Particulars		2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
Fixed Assets	(Rs. lakhs)	1954.21	2074.25	2166.17	2302.65	2231.26	2030.78
Net Current Assets	"	1562.73	1956.67	2111.52	2176.45	1595.52	1652.50
Total Capital Employed	"	3727.20	4176.26	4429.80	4641.11	3998.06	3868.76
Shareholders' Funds	"	1871.26	1841.55	1802.10	1784.79	1692.30	1596.70
No. of Shares		38,65,650	38,65,650	38,65,650	38,65,650	38,65,650	38,65,650
Net Worth per Share	(Rs.)	48	48	47	46	44	41
Sales	(Rs. lakhs)	5395.38	4978.02	5208.52	5149.85	5078.88	4665.30
Operating Profit	"	658.46	674.04	670.91	718.52	681.48	528.95
Profit Before Tax	"	125.35	119.37	112.48	172.17	171.66	118.43
Retained Earnings	"	326.84	316.78	304.77	326.27	331.28	208.24
Dividends	(%)	20	20	20	20	20	20
Earnings per Share	(Rs.)	2.54	2.70	2.56	3.78	3.87	3.11
Spindle Capacity	(Spindles)	39,932	39,932	39,932	39,932	39,932	39,932
	(Rotors)	168	168	168	168	168	168



## Kandagiri Spinning Mills Limited

### NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the TWENTY FIFTH 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 12th day of September, 2001 at 12.00 hours, to transact the following business:

#### As Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2001 and Profit and Loss Account for the year ended that date and the report of the Directors thereon.
2. To declare dividend on equity shares.
3. To appoint Directors in the place of the following Directors who are retiring by rotation and being eligible, offer themselves for re-appointment:
  - a) Sri.A.R.Annamalai                      b) Sri.K.K.Ramaswamy      and
  - c) Sri.K.S.Ganapathi
4. To appoint Auditors and fix their remuneration.

#### As Special Business

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company (hereinafter referred to as the Articles) be and are hereby altered in the manner and to the extent set out below.

- (a) In the existing Clause 2 of the Articles after the definition of the expression 'The Act', the following shall be inserted:

'Depositories Act' means the Depositories Act, 1996 (22/1996) including any statutory modification or re-enactment thereof for the time being in force.

'Beneficial Owner' shall mean beneficial owner as defined in Clause (a) of Sub-section (1) of Section 2 of the Depositories Act, 1996.

'Depository' shall mean a depository as defined under Clause (b) of Sub-section (1) of Section 2 of the Depositories Act, 1996.

'Member' means the duly registered holder from time to time of the shares of the Company and includes the subscribers to the Memorandum of Association of the Company and the beneficial owner(s) in the records of the depositories.

- (b) After Clause 16 of the Articles, the following clause numbered as 16A be inserted:

16A a) The Company shall be entitled to dematerialise its existing shares and other securities, rematerialise its shares and other securities held in the depositories and/or offer fresh shares and other securities in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.

- b) Articles dealing with shares will be applicable only to shares issued in physical form; shares issued and or held in electronic medium in fungible form will be governed by the provisions of the Depositories Act, 1996.



## Kandagiri Spinning Mills Limited

- c) Every person subscribing to shares offered by the Company shall have the option to receive share certificates or to hold the shares with a depository. Such a person who is the beneficial owner of shares can at any time opt out of a depository, if permitted by the law, in respect of any shares in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate of shares.

If a person opts to hold his shares with a depository, the Company shall intimate such depository the details of allotment of the shares, and on receipt of the information, the depository shall enter in its record the name of allottee as the beneficial owner of the shares.

- d) All shares held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the shares held by it on behalf of the "beneficial owners".
- e) i) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of shares on behalf of the beneficial owner.
- ii) Every person holding shares of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of shares shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his shares which are held by a depository.
- f) Notwithstanding anything in the Act or these Articles to the contrary, where shares are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.
- g) Nothing contained in Section 108 of the Companies Act, 1956 or these articles shall apply to a transfer of shares effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.
- h) Notwithstanding anything in the Act or these Articles, where shares are dealt with by a depository, the Company shall intimate the details thereof to the depository, immediately on allotment of such shares.
- i) The Company shall cause to be kept a register and index of members in accordance with all applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996 with details of shares held in material and dematerialised forms in any media as may be permitted by law, including in any form of electronic media.
- j) The Company shall keep a "Register of Transfers" and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share and debenture held in material form.
- k) In the case of transfer or transmission of shares, where the Company has not issued certificates and where such shares are being held in any electronic and fungible form in a depository, the provisions of the Depositories Act, 1996 shall apply.
- l) A depository as a registered owner shall not have any voting rights in respect of shares and securities held by it in dematerialised form. However, the beneficial owner as per the Register of Beneficial Owners maintained by a depository shall be entitled to such rights in



## Kandagiri Spinning Mills Limited

respect of shares held by him in the depository. Any reference to the member or joint members in Article 32 shall include a reference to beneficial owner or joint beneficial owners in respect of "the shares held in a depository".

Registered Office  
Mill Premises, Udayapatti,  
Salem - 636 140.  
June 25, 2001

By order of the Board,  
**K.R.MANICKA MUDALIAR**  
Managing Director

### 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 6, 2001 to September 12, 2001 (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, 2002.
5. Pursuant to Clause 49 of the listing agreement with the stock exchanges, the following information is furnished about the Directors to be appointed/reappointed.

- a) Sri.A.R.Annamalai was first appointed to the Board on 20.12.1989 and has been reappointed in rotation last on 13.08.1998. He is a partner in Annamalai Textiles and is in the purchase and sale of cotton textiles trade for over a decade.

Other Directorships held - Name of the Company	Committee Membership - Name of the Committee
None	None

- b) Sri.K.K.Ramaswamy was first appointed to the Board at the Annual General Meeting on 16.06.1993 and has been reappointed in rotation last on 13.08.1998. He was Managing Director of Sharp Group of Companies of Coimbatore and is an Engineer Industrialist of long standing.

Other Directorships held - Name of the Company	Committee Membership - Name of the Committee
Sambandam Spinning Mills Limited	None

- c) Sri.K.S.Ganapathi was first appointed to the Board at the Annual General Meeting on 16.06.1993 and has been reappointed in rotation last on 13.08.1998. He is a Cost Accountant by profession and has been the Chairman of South India Regional Council of Cost and Works Accountants of India. He was formerly a Director and ex-officio Secretary to the Government of Tamil Nadu, Bureau of Public Enterprises (Finance Department).

Other Directorships held - Name of the Company	Committee Membership - Name of the Committee
None	None



## Kandagiri Spinning Mills Limited

### 6. Explanatory Statement under Section 173(2) of the Companies Act, 1956

Pursuant to SEBI's instructions, the Stock Exchange, Mumbai, has directed all B2 Group Companies listed with it, to join the depository system and facilitate holding of the shares of the Company in electronic form. Such a system introduced by the Depositories Act, 1996 would be a convenient, efficient and safe method of holding the shares, making transfers, etc. in paperless trading, giving quick and timely service. Accordingly, arrangements are being made for admitting the shares of the Company into the National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), in order to improve the service to investors and shareholders.

Such an automated new system of holding and trading in the shares of the Company side by side with the paper-based system, necessitates certain alterations in the Articles of Association, especially in matters such as Register of Members to cover beneficial owners as per records of the depository, fungibility of shares held by depository, etc. Appropriate alterations as set out in the Special Resolution in the Notice are accordingly proposed for the approval of the shareholders. While the additional facility as above is provided within the new legal framework, the shareholders have the option to join this system. The existing provisions in respect of shares held in the physical form of paper scrips will continue.

The Board recommends the passing of the Special Resolution.

None of the Directors of the Company is concerned or interested in the Resolution.

Full details of the new arrangement are being circulated separately for the benefit of the shareholders.

Registered Office  
Mill Premises, Udayapatti,  
Salem - 636 140.  
June 25, 2001

By order of the Board,

**K.R.MANICKA MUDALIAR**  
Managing Director

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## Kandagiri Spinning Mills Limited

### DIRECTORS' REPORT

The Directors present their report for the year ended March 31, 2001 (the year) together with the audited accounts for the said year.

### KEY FINANCIAL INFORMATION

	(Rupees lakhs)	
	2000-01	1999-00
Sales (net) - Direct Export	23	—
- Merchandise Export	2131	1426
- Within India	3241	3552
- Total Turnover	5395	4978
Material Cost - Cotton	2950	2693
Power Cost	903	806
Human Resources Cost	411	384
Finance Cost (Net)	225	264
Operating Profit (i.e. before Interest and Depreciation)	658	674
Cash Profit (i.e. before Depreciation)	439	417
Profit before Tax	125	119
Earnings per Share	Rs.2.54	2.70

### COMPANY'S PERFORMANCE

Your Company's performance in the year should be considered commendable, given the recessionary trend continuing in the industry. Sales increased to Rs.5395 lakhs from Rs.4978 lakhs registering a growth rate of 8.38%. Material cost continued to remain fairly constant at 54% of sales revenue. However, power cost component increased to 16.74% from 16.19%, mainly due to escalation in price of diesel used for internal generation. Human resources and finance cost remained under control without any significant increase during the year.

Your Board will strive as ever to improve the value addition to its yarn and is, therefore, optimistic about reporting better operating returns in the current year, though the trend in the offtake of yarn is not encouraging in the first quarter in the current year.

### DIVIDEND PAYOUT

The Board has recommended a dividend of 20% on the paid-up equity share capital for the year absorbing Rs.85.02 lakhs, including the tax on the dividend payout.

### FINANCE AND ACCOUNTS

The Board has made the following appropriations - (i) Provision for Current Taxation: Rs.27 lakhs (ii) Transfer to General Reserve: Rs.10 lakhs. After giving effect to the above stated appropriations, your Company's reserves, including share premium and unappropriated profit, aggregated Rs.1486 lakhs, covering the share capital by 4 times.

Regarding loan funds, your Company availed term loan from Financial Institution (i) towards project Rs.500 lakhs, and (ii) towards long term working capital Rs.600 lakhs and repaid term loans to Financial Institution Rs.823 lakhs.

Further, fixed deposits at year end stood at Rs.33 lakhs as against Rs.41 lakhs in the earlier year.

On the capital expenditure front, your Company's outlay on this was Rs.193 lakhs as against Rs.207 lakhs in the earlier year.

**Kandagiri Spinning Mills Limited****Directors' Report (Contd.)****TOTAL CUSTOMER SATISFACTION - A FEATHER IN OUR CAP**

It has been the endeavour of your Directors to always strive for excellence in the various spheres of activity such as Quality, Service and Upgradation of Technology with the ultimate goal being Total Customer Satisfaction. The Directors are happy to report that their avowed objective has borne fruition with the accreditation to the Company of ISO 9002 Certification during the year.

**DIRECTORS**

The Directors, Sarvasri A.R. Annamalai, K.K. Ramaswamy and K.S. Ganapathi retire by rotation and are eligible for reappointment.

**DEPOSITORY SYSTEM**

The Securities and Exchange Board of India has notified the Company's shares for compulsory trading in electronic form for all investors effective from May 31, 2001. Accordingly, the shares of the Company had been activated for dematerialisation on National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

**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.

**HUMAN RESOURCES**

The relationship with the workforce continues to be cordial and the Board records its appreciation of their dedicated service.

**ACKNOWLEDGEMENTS**

Your Company's financial institutions, ICICI Limited, Karnataka Bank Limited, State Bank of India and the Government of Tamil Nadu have continued to evince interest in your Company by making available timely financial and other assistance, without which your Company would not have made the progress during the year and your Board would like to record its sincere appreciation in this regard.

On behalf of the Board,

SALEM  
June 25, 2001

S.P. RATNAM  
Chairman