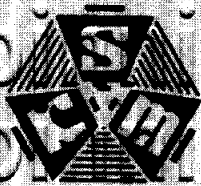


# XXVI ANNUAL REPORT 2001-2002



**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  
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  
M. Guruvayurappan (Nominee of ICICI Bank Limited)

### Auditors

M.S. Krishnaswami & Rajan

### Bankers

ICICI Bank Limited  
Karnataka Bank Limited  
State Bank of India

### Registered Office

Post Box No.3,  
Mill Premises,  
Udayapatti (P.O.)  
Salem 636 140  
Tamil Nadu.

### Plants

Unit I at Udayapatti (P.O.), Salem - 636 140.  
Unit II at Seshanchavadi (P.O.), Salem - 636 111.

**Kandagiri Spinning Mills Limited****Contents**

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## Kandagiri Spinning Mills Limited

## SIGNIFICANT INFORMATION

Particulars		2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
Fixed Assets	(Rs. lakhs)	1968.25	1954.21	2074.25	2166.17	2302.65	2231.26
Net Current Assets	"	1410.34	1562.73	1956.67	2111.52	2176.45	1595.52
Total Capital Employed	"	3138.99	3727.20	4176.26	4429.80	4641.11	3998.06
Shareholders' Funds	"	1446.25	1871.26	1841.55	1802.10	1784.79	1692.30
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.)	* 37	48	48	47	46	44
Sales	(Rs. lakhs)	4975.09	5473.99	4978.02	5208.52	5149.85	5078.88
Operating Profit	"	623.34	658.46	674.04	670.91	718.52	681.48
Profit Before Tax	"	128.03	125.35	119.37	112.48	172.17	171.66
Retained Earnings	"	** 333.64	326.84	316.78	304.77	326.27	331.28
Dividends	(%)	20	20	20	20	20	20
Earnings per Share	(Rs.)	** 2.15	2.54	2.70	2.56	3.78	3.87
Spindle Capacity	(Spindles)	39,932	39,932	39,932	39,932	39,932	39,932
	(Rotors)	168	168	168	168	168	168

\* The reduced net worth is due to provision made for deferred tax upto March 31, 2001 by charge against General Reserve of Rs.444.87 lakhs in conformity with Accounting Standard No.22 issued by the Institute of Chartered Accountants of India. If the above provision is not considered for comparison purposes, the Net Worth per share would have been Rs.49.

\*\* The figures of retained earnings and earnings per share have been computed after considering the provision for the year 2001-2002 for deferred tax of Rs.11.00 lakhs. But for the said provision the above stated earnings would have been Rs.344.64 lakhs and Rs.2.43 respectively.



## Kandagiri Spinning Mills Limited

### NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the twenty sixth annual general meeting of the company will be held at the Mill Premises, Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem - 636 014 on Friday, the 27<sup>th</sup> September, 2002 at 12.00 hours to transact the following business:

#### Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2002 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 S.P. Ratnam	b) Sri S.P. Sambandam
c) Sri M. Rajamani	and d) Sri M. Sigamani
4. To appoint Auditors and fix their remuneration.

#### Special Business

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

"RESOLVED THAR Sri R. Kandaswami, who was appointed as an Additional Director of the Company on October 31, 2001 and whose term expires under Section 260 of the Companies Act, 1956 at this Annual General Meeting and in respect of whom company has received a notice from a member under Section 257 of the said Act proposing his candidature for the office of Director, be and he is hereby appointed as a Director of the company liable to retire by rotation."

Registered Office  
Post Box No.3, Mill Premises,  
Udayapatti, Salem - 636 140.  
June 24, 2002

On behalf 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 21, 2002 to September 27, 2002 (both days inclusive)
4. In terms of clause 49 of the listing agreement with Stock Exchanges, a brief resume of directors who are proposed to be appointed/re-appointed at this meeting is given below:

Sri S.P. Ratnam is a Promoter Director and is on the Board from 1979 and has since been reappointed over the years by rotation. He has more than five decades of experience in the textile field. He is the Chairman of the Company as also the group associate company, Sambandam Spinning Mills Limited. He is also the Managing Director in Mallur Siddeswara Spinning Mills Private Limited and a Director in Sambandam Siva Textiles Limited and Sambandam Investment and Leasing Limited.



## Kandagiri Spinning Mills Limited

Sri S.P. Sambandam is a Promoter Director and is on the Board since the inception of the company in 1976 and has since been reappointed over the years by rotation. He has more than five decades of experience in the textile field. He is the Managing Director of Sambandam Spinning Mills Limited. He is also a Director in Sambandam Siva Textiles Limited and Sambandam Investment and Leasing Limited.

Sri M. Rajamani, son of the Promoter Managing Director Sri K.R. Manicka Mudaliar, is an industrialist. He was first appointed to the Board during 1979 and reappointed in rotation over the years. He is also a Director in Sambandam Investment and Leasing Limited. He has more than two decades of experience in the field of textiles.

Sri M. Sigamani, son of the Promoter Managing Director Sri K.R. Manicka Mudaliar, is an industrialist. He was first appointed to the Board during 1979 and reappointed in rotation over the years. He has more than two decades of experience in the field of textiles. He is a member of Shareholders' / Investors' Grievance Committee of our company.

5. Those members who have so far not encashed their dividend warrants for the year 1996-97 may claim or approach the Company for the payment thereof as the same will be transferred to the Investor Education and Protection Fund of the Central Government, pursuant to section 205C of the Companies Act, 1956 in October 2003.
6. The Finance Act 2002 provides for deduction of tax at source in respect of dividend if the dividend amount exceeds Rs.2500. In case you are not an assessee or your income is below the taxable limit, you may furnish Form 15G in duplicate before September 15, 2002 to the company's registered office so that no tax will be deducted from the dividend payable for the year ended March 31, 2002.
7. Explanatory Statement under Section 173(2) of the Companies Act, 1956

Sri R. Kandaswami ceased to be Nominee Director of ICICI at the meeting held on October 31, 2001 when Sri M. Guruvayurappan was nominated by ICICI in his place. Sri R. Kandaswami has been the Nominee Director from July 1994. He has held high positions in State Bank of India and has also held the position of Director in several companies. He is presently a Director of group associate Sambandam Spinning Mills Limited. In view of his considerable experience, the board considered that his valuable services as Director should continue to be available to the company and appointed him as Additional Director. He holds office upto the date of the ensuing Annual General Meeting.

The Company has received a Notice in writing from a member under section 257 of the Companies Act 1956 signifying his intention to propose at the forthcoming Annual General Meeting, the appointment of Sri R. Kandaswami as a Director.

No director other than Sri R. Kandaswami is concerned or interested in the proposed resolution.

The Directors recommend this resolution for the approval of the shareholders.





## Kandagiri Spinning Mills Limited

### CORPORATE GOVERNANCE REPORT

#### Introduction

The Securities and Exchange Board of India (SEBI) has introduced a Code of Corporate Governance for implementation by companies listed on the Stock Exchanges. The Code is required to be implemented by March 31, 2003. However as per the Bombay Stock Exchange circular dated January 17, 2002, some items of the Code would come into force with immediate effect. The company has already started implementing Code of Corporate Governance by setting up various committees etc. The company will comply fully with the requirements during the course of the financial year 2002-03, as originally contemplated.

A report on the implementation of the Corporate Governance by the company is furnished below.

#### 1. Company's Philosophy on Corporate Governance

Corporate Governance, in its essence, is the belief and practice by corporates, of the concept of a high degree of fiduciary responsibility on the part of its Board of Directors, the upholding by the company of the interest and values of shareholders, employees, customers and the society at large.

The company therefore dedicates itself to the ushering in of Corporate Governance rules *inter alia* by

- Self regulation linked to openness and accountability as also fair and objective business outlook
- Proper governance by its three constituents - Directors, Managers and Shareholders (each complementing the others)
- Maintaining well defined and well accepted accounting and audit practices
- Board functioning as a professional blend of various committees reporting to it to accomplish corporate broad objectives and
- Above all, making the concept as an aid to corporate progress, evolving in tune with changing needs of business and economy

The march has already begun. The company hopes that with necessary commitment, it should be possible to reach out the standards early.

#### 2. Board of Directors

The Company's Board presently has 14 directors of whom 2 are Wholtime directors. The Board has a Non-executive Director as Chairman. The Board functions either as a full Board or through committees.

##### (i) Constitution of the Board

Director	Executive/Non-Executive/ Independent	No. of other Directorships	Membership of other Board Committees
Sri S.P. Ratnam	Chairman, Non Executive	4	—
Sri K.R. Manicka Mudaliar	Managing Director	1	—
Sri S.P. Sambandam	Non-Executive	4	—
Sri S.P. Rajendran	Joint Managing Director	4	—
Sri M. Rajamani	Non-Executive	1	—
Sri M. Sigamani	Non-Executive	—	1
Sri S. Devarajan	Non-Executive	4	2
Sri A.G.Venkatesan	Non-Executive	1	1
Sri A.R. Natarajan	Non-Executive	1	—


**Kandagiri Spinning Mills Limited**

Director	Executive/Non-Executive/ Independent	No. of other Directorships	Membership of other Board Committees
Sri A.R. Annamalai	Non-Executive	—	—
Sri K.S. Ganapathi	Independent	—	—
Sri K.K. Ramaswamy	Independent	1	—
Sri R.Kandaswami	Independent	4	2*
Sri M. Guruvayurappan	Independent	—	—

\* includes Chairmanship of one committee

**(ii) Attendance of Directors at Board Meetings and Annual General Meeting**

The Board of the company met seven times during the financial year 2001-02 respectively on 25/06/01, 30/07/01, 12/09/01, 31/10/01, 31/01/02, 02/03/02 and 06/03/02.

The company placed before the Board the budgets, performance of the units and various other information specified in Annexure I of clause 49 of the Listing Agreement, from time to time.

The attendance at the Board Meetings and Annual General Meeting were as under:

Name of Director	No. of Board Meetings attended	Whether attended the Annual General Meeting
Sri S.P. Ratnam	7	✓
Sri K.R. Manicka Mudaliar	7	✓
Sri S.P. Sambandam	7	✓
Sri S.P. Rajendran	7	✓
Sri M. Rajamani	7	✓
Sri M. Sigamani	7	✓
Sri S. Devarajan	7	✓
Sri A.G. Venkatesan	7	✓
Sri A.R. Natarajan	7	✓
Sri A.R. Annamalai	7	✓
Sri K.K. Ramaswamy	3	✓
Sri K.S. Ganapathi	5	✓
Sri R. Kandaswami	5	✓
Sri M. Guruvayurappan*	1	—

\* Appointed as additional director on 31.10.2001

**(iii) Remuneration of Directors**

Rupees

Director	Salary and Perquisites	Sitting Fees
Sri S.P. Ratnam	—	5,000
Sri K.R. Manicka Mudaliar	3,60,000	—
Sri S.P. Sambandam	—	5,000
Sri S.P. Rajendran	3,60,000	—
Sri M. Rajamani	—	5,000
Sri M. Sigamani	—	5,000
Sri S. Devarajan	—	5,000
Sri A.G. Venkatesan	—	5,000
Sri A.R. Natarajan	—	5,000





## Kandagiri Spinning Mills Limited

Director	Salary and Perquisites	Sitting Fees
Sri A.R. Annamalai	—	5,000
Sri K.K. Ramaswamy	—	3,000
Sri K.S. Ganapathi	—	5,000
Sri R. Kandaswami	—	5,000
Sri M. Guruvayurappan	—	1,000

### 3. Committees of the Board

#### (i) Audit Committee

The Audit Committee of the company was constituted on 31/01/2002 with three members. The members of the committee are independent and Non-executive Directors. The role and terms of reference of the Audit Committee cover areas mentioned under clause 49 of the Listing Agreement. The composition of the committee is given below:

Chairman : Sri K.S. Ganapathi  
Members : Sri S. Devarajan  
Sri R. Kandaswami

The Committee met on 24/06/02.

#### (ii) Investors' Grievance Committee

The Board has constituted an Investors' Grievance Committee which looks into Shareholders and investors grievances. The Committee met four times during the year 2001-02. The Committee reviews the action taken by the company to redress the Shareholder's grievances, comply with their requests on matters relating to non receipt of Balance Sheet, dividends etc. During the year, requests/complaints numbering 118 were received and dealt with satisfactorily.

The composition of the Committee and the attendance of the members at the meetings are given below:

Name	Designation	No. of meetings attended
Sri R. Kandaswami	Chairman	4
Sri M. Sigamani	Member	4
Sri A.G. Venkatesan	Member	4

Sri S. Devarajan, Director, is the Compliance Officer.

#### (iii) Share Transfer Committee

The Board has constituted a Share Transfer Committee, which looks into share transfers/transmissions. The committee met usually fortnightly/monthly when necessary. The committee met fourteen times during the financial year 2001-02 to approve share transfers and transmissions. The composition of the Committee is given below:

Sri K.R. Manicka Mudaliar - Managing Director  
Sri S. Devarajan - Director  
Sri A.R. Natarajan - Director

### 4. General Body Meetings

The location and time of the Annual General Meetings held during the last three years are as follows: