

The background of the cover features a dark, textured landscape with several stylized, black, umbrella-like trees. A large, bright white circle is positioned in the center, partially overlapping the trees and the text. The text '27th ANNUAL REPORT' is prominently displayed in the center, with '27th' in a large, bold, sans-serif font and 'ANNUAL REPORT' in a smaller, bold, sans-serif font. Below this, the years '2002-2003' are written in a smaller, sans-serif font. A faint, semi-transparent watermark reading 'Report Junction' is visible behind the main text.

27th ANNUAL REPORT

2002-2003



Kandagiri Spinning Mills Limited

Board of Directors	K.R. Manicka Mudaliar - Chairman R. Selvarajan - Managing Director S. Vijay Shankar - Joint Managing Director S.P. Ratnam S.P. Rajendran M. Rajamani M. Sigamani S. Devarajan S. Dinakaran S. Sivakumar K.S. Ganapathi K. K. Ramaswamy R. Kandaswami P.S. Ananthanarayanan M. Guruvayurappan (Nominee of ICICI Bank)
Secretary	N.J. Rajagopal
Statutory Auditors	M.S. Krishnaswami & Rajan
Cost Auditors	S. Mahadevan & Co
Bankers	State Bank of India ICICI Bank Limited Karnataka Bank Limited
Registered Office	Post Box No.3, Mill Premises, Udayapatti (P.O.) Salem - 636 140 Tamil Nadu.
Spinning Plants	Unit I at Udayapatti (P.O.) Salem 636 140. Unit II at Seshanchavadi (P.O.) Salem - 636 111.
Wind Energy Converters	Panagudi Village Radhapuram Taluk Tirunelveli District. Pazavoor Village Radhapuram Taluk Tirunelveli District. Kudimangalam Village Udumalpet Taluk Coimbatore District

Twenty Seventh Annual Report



Kandagiri Spinning Mills Limited

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Kandagiri Spinning Mills Limited

SIGNIFICANT INFORMATION

Rs.Lakhs

Particulars	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
1. Fixed Assets	4233.06	1968.25	1954.21	2074.25	2166.17	2302.65
2. Net Current Assets	1076.51	1410.34	1562.73	1956.67	2111.52	2176.45
3. Total Capital Employed	5041.42	3138.99	3727.20	4176.26	4429.80	4641.11
4. Shareholders' Funds	1561.75	1446.25	1871.26	1841.55	1802.10	1784.79
5. No. of Shares	38,49,250	38,65,650	38,65,650	38,65,650	38,65,650	38,65,650
6. Net Worth per share (Rs.)	41	37	48	48	47	46
7. Sales	5482.80	4975.09	5473.99	4978.02	5208.52	5149.85
8. Operating Profit	853.86	623.34	658.46	674.04	670.91	718.52
9. Profit Before tax	325.28	128.03	125.35	119.37	112.48	172.17
10. Profit after tax	250.28	83.03	98.35	104.37	98.98	146.17
11. Retained Earnings	451.34	333.64	326.84	316.78	304.77	326.27
12. Dividends (%)	35	20	20	20	20	20
13. Earnings per Share (Rs.)	6.50	2.15	2.54	2.70	2.56	3.78
14. Spindle Capacity (Spindles)	39,932	39,932	39,932	39,932	39,932	39,932
(Rotors)	168	168	168	168	168	168

Note (1) Figures from 2001-02 onwards relating to 3,4,6,10,11 and 13 are after reckoning the deferred tax liability

(2) During the year 2002-03, 16,400 shares were forfeited



Kandagiri Spinning Mills Limited

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the twenty seventh 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 25th July, 2003 at 12.00 noon to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2003 and Profit and Loss account and Cash Flow Statement 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 K. R. Manicka Mudaliar
 - b) Sri S.P. Rajendran, and
 - c) Sri S. Devarajan
4. To appoint Auditors and fix their remuneration.

Special Business

5. To consider and if thought fit, to pass, with or without modification, the following resolutions as an ordinary resolution.
 - a) Resolved that Sri S. Dinakaran, who was appointed as Additional Director on 23.10.2002 and whose term expires under section 260 of the Companies Act, 1956 at this annual general meeting and in respect of which the 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 is hereby appointed as a Director of the Company whose period of office is liable to determination by retirement of directors by rotation.
 - b) Resolved that Sri P.S. Ananthanarayanan, who was appointed as Additional Director on 23.10.2002 and whose term expires under section 260 of the Companies Act, 1956 at this annual general meeting and in respect of which the 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 is hereby appointed as a Director of the Company whose period of office is liable to determination by retirement of directors by rotation.

For and on behalf of the Board

Registered Office
Mill Premises,
Post Bag No.3
Udayapatti P.O.
Salem 636 140.

N.J. Rajagopal
Company Secretary

May 30, 2003

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.



Kandagiri Spinning Mills Limited

3. The Register of Members and Share Transfer Books of the Company will remain closed from 19th July, 2003 to 25th July, 2003 (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. In respect of the resolution proposed as Special Business in 5 (a) and (b), the resume given in items (d) and (e) below may be considered as the Explanatory Statements to be given as required under section 173(2) of the Companies Act, 1956.
 - a) Sri K.R. Manicka Mudaliar is the Promoter Managing Director and an Industrialist. He is on the Board from 1979 and has more than five decades of experience in the textile field. He is also a Director in Sambandam Investment and Leasing Limited.
 - b) Sri S.P. Rajendran is a commerce graduate and an Industrialist. He is one of Promoter Directors. He is on the Board from 1979 and has more than four decades of experience in the textile field. He is also the Chairman of Mallur Siddeswara Spinning Mills Private Limited and director in Sambandam Spinning Mills Limited, Sambandam Siva Textiles Limited and Sambandam Investment and Leasing Limited.
 - c) Sri S. Devarajan, a science graduate, is an industrialist. He is son of the Promoter Director Sri S.P. Sambandam. He was first appointed to the Board at the Annual General meeting held on 1979, and has since been reappointed over the years by rotation. He is the Managing Director of Sambandam Spinning Mills Limited and Sambandam Investment and Leasing Limited. He is also a Director in Mallur Siddeswara Spinning Mills Private Limited and Sambandam Siva Textiles Private Limited. Further he is one of the member of Audit Committee and Share Transfer Committee. He has more than three decades of experience in the field of textiles.
 - d) Sri S. Dinakaran is an industrialist and has been in the business of textiles for several years. He is also the Managing Director of Sambandam Siva Textiles Private Limited and Joint Managing Director of Sambandam Spinning Mills Limited. The Board of Directors of the company thought it fit to induct him as Director and appointed as Additional Director at the Board Meeting held on 23.10.2002. He holds office upto the forthcoming annual general meeting. The Company has received a notice in writing from a member under section 257 of the Companies Act, signifying his intention to propose the appointment of Sri S. Dinakaran at the ensuing annual general meeting. Apart from Sri S. Dinakaran and Sri S. Devarajan, none of the directors are interested in the proposed resolution.
 - e) Sri P.S. Ananthanarayanan, an Engineer cum Cost Accountant, has held high position in Balmer Lawrie & Co Limited. He has three decades of experience in the field of cost control and planning. He is also a Director in Sambandam Spinning Mills Limited. In view of his long experience, the Board of Directors of the Company has thought it fit to induct him as a Director and appointed as Additional Director at the Board meeting held on 23.10.2002. He holds the office upto the forthcoming annual general meeting. The Company has received notice in writing from a member under section 257 of the Companies Act, signifying his intention to propose the appointment of Sri P.S. Ananthanarayanan at the ensuing annual general meeting. Apart from Sri P.S. Ananthanarayanan, none of the directors are interested in the proposed resolution.
5. Those members who have so far not encashed their dividend warrants for the year 1995-96 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. Those members who have so far not dematerialised their shares are advised to demat their physical shares.



Kandagiri Spinning Mills Limited

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The company believes that the Corporate Governance is a powerful medium to serve the long-term interest of all the shareholders. Corporate Governance strengthens Investors' trust and ensures a long-term partnership, which helps the Company in fulfilling its quest for achieving significant growth and profits.

In pursuance of the above, the company commits itself to:

Continuous upgradation of skills coupled with constant attention to improve productivity and quality of its products in consonance with the rapidly changing economic and industrial environment

Instituting sound system in place in a frame work of effective accountability and transparency

Being the custodian of the interest of the shareholders, customers and the society at large

2. Board of Directors

The Board consists of 15 directors of whom 3 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 K.R. Manika Mudaliar	Chairman, Non Executive	1	-
Sri R. Selvarajan	Managing Director	2	1
Sri S. Vijay Shankar	Joint Managing Director	-	-
Sri S.P. Ratnam	Non-Executive	2	-
Sri S.P. Rajendran	Non-Executive	4	-
Sri M. Rajamani	Non-Executive	1	-
Sri M. Sigamani	Non-Executive	-	-
Sri S. Devarajan	Non-Executive	4	1
Sri S. Dinakaran	Non-Executive	2	-
Sri S. Sivakumar	Wholtime Director	-	-
Sri K.S. Ganapathi	Independent	1	1
Sri K. K. Ramaswamy	Independent	1	-
Sri R. Kandaswami	Independent	4	3*
Sri P.S. Ananthanarayanan	Independent	1	2*
Sri M. Guruvayurappan	Independent	-	-

*includes Chairmanship of one committee



Kandagiri Spinning Mills Limited

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

The Board met five times during the financial year 2002-03 on 24.06.02, 29.07.02, 27.09.02, 23.10.02, and 30.01.03. 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 AGM
Sri K.R. Manicka Mudaliar (3)	5	✓
Sri S.P. Ratnam	5	✓
Sri S.P. Sambandam (2)	4	✓
Sri S.P. Rajendran	5	✓
Sri R. Selvarajan (1) (4)	1	NA
Sri S. Devarajan	5	✓
Sri S. Dinakaran (1)	1	NA
Sri S. Vijay Shankar (1)	1	NA
Sri M. Rajamani	5	✓
Sri M. Sigamani	5	✓
Sri S. Sivakumar (1)	1	NA
Sri A.G.Venkatesan (2)	4	✓
Sri A.R.Natarajan (2)	4	✓
Sri A.R. Annamalai (2)	4	✓
Sri K.S. Ganapathi	4	✓
Sri K. K. Ramaswamy	5	✓
Sri R. Kandaswami	5	✓
Sri P.S. Ananthanarayanan (1)	1	NA
Sri M. Guruvayurappan	1	-

(iii) Remuneration of Directors**Rupees**

Director	Salary and Perquisites	Sitting Fees
Sri K.R. Manicka Mudaliar (3)	2,02,260	1000
Sri S.P. Ratnam	-	5000
Sri S.P. Sambandam (2)	-	4000
Sri S.P. Rajendran	2,02,260	1000
Sri R. Selvarajan (1) (4)	1,76,669	-
Sri S. Devarajan	-	8000
Sri S. Dinakaran (1)	-	1000
Sri S. Vijay Shankar (1)	1,76,669	-
Sri M. Rajamani	-	5000
Sri M. Sigamani	-	5000
Sri S. Sivakumar (1)	1,76,669	-
Sri A.G.Venkatesan (2)	-	4000
Sri A.R.Natarajan (2)	-	4000
Sri A.R. Annamalai (2)	-	4000
Sri K.S. Ganapathi	-	6000
Sri K. K. Ramaswamy	-	5000
Sri R. Kandaswami	-	8000
Sri P.S. Ananthanarayanan (1)	-	2000
Sri M. Guruvayurappan	-	1000

(1) appointed as Directors with effect from 23.10.2002 (3) resigned as Managing Director on 23.10.2002

(2) resigned from the Board with effect from 23.10.2002 (4) appointed as Managing Director with effect from 23.10.2002



Kandagiri Spinning Mills Limited

3. Committees of the Board

(i) Audit Committee

The Audit Committee of the company was constituted on 31.01.2002 with three members and it has four members three of whom are independent members with one of them as Chairman of the Committee and the other a non-executive member. The role and terms of reference of the Committee cover areas mentioned under clause 49 of the Listing Agreement. The composition of the Committee is as follows:

Name	Designation	No. of meetings attended
Sri K.S.Ganapathi	Chairman	2
Sri S. Devarajan	Member	3
Sri R.Kandaswami	Member	3
Sri P.S.Ananthanarayanan *	Member	1

* appointed with effect from 23.10.2002

Sri N.J. Rajagopal, Company Secretary, is also the Secretary of the Audit Committee. All the members of the Committee, and Managing Director (by invitation) attended the meetings. The head of internal audit and statutory auditors and cost auditors were also present. The Committee inter alia considered the unaudited quarterly financial results and also annual accounts.

(ii) Investors' Grievance Committee

The Board has constituted a Investors' Grievance Committee which looks into Shareholders and investors grievances. The Committee met three times during the financial year 2002-03. The Committee had examined the action taken by the company in regard to the requests of shareholders on matters relating to change of address, non-receipt of dividend warrants, revalidation of time barred dividend warrants and so on. During the year 129 requests/complaints were received and attended to promptly to the satisfaction of the shareholders. The Committee was reconstituted on 23.10.2002. The present composition of the Committee and attendance of the members are as follows:

Name	Designation	No. of meetings attended
Sri R. Kandaswami	Chairman	3
Sri S. Sivakumar	Member	1
Sri S. VijayShankar	Member	1

Sri M. Sigamani and Sri A.G. Venkatesan, members of the committee upto 23.10.2002 attended two meetings. Sri N.J. Rajagopal, Company Secretary, is the Compliance Officer.

(iii) Share Transfer Committee

The Committee looks into share transfer/transmission and meets usually fortnightly/monthly as found necessary. The Committee met twelve times during the financial year 2002-03 to approve share transfers/transmissions. No share transfer requests were pending as on 31.03.2003. The committee was reconstituted on 23.10.2002 with the following members:

Name	Designation	No. of meetings attended
Sri R. Selvarajan	Member	5
Sri S. Devarajan	Member	12
Sri S. Sivakumar	Member	5

Sri K.R. Manicka Mudaliar and A.R. Natarajan, members of the committee upto 23.10.2002 attended seven meetings.

Sri N.J. Rajagopal, Company Secretary, is the Compliance Officer.



Kandagiri Spinning Mills Limited

(iv) Remuneration Committee

The committee was constituted on 23.10.2002 with the following independent directors as members:

Name	Designation	No. of meetings attended
Sri P.S. Ananthanarayanan	Chairman	—
Sri K.S. Ganapathi	Member	-
Sri R. Kandaswami	Member	-

The committee met on 28.04.2003 to consider the remuneration package of Executive Directors.

4. General Body Meetings

The location and time of the annual general meetings held during the last three years are as follows:

Year	Date	Time	Venue
2000	11/09/2000	04.00 p.m.	Mill Premises, Sambandam Spinning Mills Limited Kamaraj Nagar Colony, Salem-636 014.
2001	12/09/2001	11.00 a.m.	Mill Premises, Sambandam Spinning Mills Limited Kamaraj Nagar Colony, Salem-636 014.
2002	27/09/2002	12.00 p.m.	Mill Premises, Sambandam Spinning Mills Limited Kamaraj Nagar Colony, Salem-636 014.

Besides these, an extraordinary general meeting of the members was held on 18.11.2002 and appointed new managerial personnel and fixed their emoluments by special resolutions.

No special resolution was put through Postal Ballot last year and the company does not propose to pass any special resolution through Postal Ballot process this year.

5. Disclosures

(i) Related party transaction

The company has not entered into any transactions of a material nature with the Promoters, Directors, etc., that may have potential conflict with the interests of the company.

(ii) Compliances by the company

The company has complied with the requirements of the Stock Exchanges, SEBI, etc., on all matters related to capital market. No penalties or strictures have been imposed on the company by the Stock Exchanges, SEBI.

6. Means of Communication

The annual, half-yearly and quarterly results are regularly published in the English and vernacular newspapers. These are also sent to the concerned Stock Exchanges in accordance with the Listing Agreement. The company proposes to publish the financial results in website shortly. The Management Discussion and Analysis Report is part of the Directors' report.