



29th Annual Report 2004-05



KANDAGIRI SPINNING MILLS LIMITED



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 – Wholetime Director
 R. Kandaswami (deceased on 17.04.2005)
 V. Mahadevan (from 13.05.2005)
 P. S. Ananthanarayanan
 V. Gopalan
 N. Asoka
 M. Guruvayurappan (Nominee of ICICI Bank)

Company 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

 Udhayathoor Village
 Radhapuram Taluk
 Tirunelveli District



Kandagiri Spinning Mills Limited

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Certification



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Cert. No. SG 98/Q12279/IN



Kandagiri Spinning Mills Limited

SIGNIFICANT INFORMATION

Rs. lakhs

Particulars	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
1. Fixed assets	4885.30	3910.87	4233.06	1968.25	1954.21	2074.25
2. Net current assets	2524.91	2627.89	1076.51	1410.34	1562.73	1956.67
3. Total capital employed	7848.09	6902.30	5553.29	3138.99	3727.20	4176.26
4. Shareholders' funds	1723.72	1603.84	1561.75	1446.25	1871.26	1841.55
5. No. of shares	38,49,250	38,49,250	38,49,250	38,65,650	38,65,650	38,65,650
6. Net worth per share (Rs.)	45	42	41	37	48	48
7. Turnover – gross	7105.94	6330.84	5572.08	5064.41	5562.25	5144.52
8. Turnover – net	6893.95	5911.37	5302.09	4975.09	5473.99	4978.02
9. Operating profit	1308.04	1299.48	853.86	623.34	658.46	674.04
10. Profit before tax	524.26	335.21	325.28	128.03	125.35	119.37
11. Profit after tax	288.95	180.21	250.28	83.03	98.35	104.37
12. Retained earnings	643.71	556.94	451.34	333.64	326.84	316.78
13. Dividend (%)	35	35	35	20	20	20
14. Earnings per share (Rs.)						
- Basic	7.51	4.68	6.50	2.15	2.54	2.70
- Basic without reckoning deferred tax	12.56	8.03	7.69	2.34	2.54	2.70
- Basic – cash earnings	25.73	21.77	17.62	11.78	11.35	10.80
15. Spindle capacity (spindles)	39,932	39,932	39,932	39,932	39,932	39,932
(Rotors)	384	168	168	168	168	168

Notes: (1) Figures from 2001-02 onwards relating to 4,6,11 and 12 are after reckoning the deferred tax liability

(2) During the year 2002-03, 16400 shares were forfeited



Kandagiri Spinning Mills Limited

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The company's philosophy on corporate governance is delineated below:

- Effectiveness measured by the quality of its leadership resulting in best performance.
- Accountability through openness, public disclosure and transparency of activities.
- Conforming to high standards in financial policies, internal controls, constant attention towards high quality of its products and continuous upgrading of skill.
- Responsibility and responsiveness to stakeholders including shareholders, investors, customers, employees, lenders and government agencies.
- Sustaining a healthy and ever improving bottom line.
- Upholding the spirit of social responsibility
- To create a management team with entrepreneurial and professional skills.

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. Manicka Mudaliar	Chairman, Non-Executive	1	—
Sri. R. Selvarajan	Managing Director	4	1
Sri. S. Vijay Shankar	Joint Managing Director	1	—
Sri. S. P. Ratnam	Non-Executive	5	1
Sri. S. P. Rajendran	Non-Executive	5	—
Sri. M. Rajamani	Non-Executive	1	—
Sri. M. Sigamani	Non-Executive	—	—
Sri. S. Devarajan	Non-Executive	6	2
Sri. S. Dinakaran	Non-Executive	5	—
Sri. S. Sivakumar	Wholtime Director	—	—
Sri. R. Kandaswami ***	Independent	4	3
Sri. P. S. Ananthanarayanan*	Independent	1	2
Sri. N. Asoka	Independent	2	—
Sri. V. Gopalan	Independent	1	2
Sri. M. Guruvayurappan	Independent	—	—
Sri. V. Mahadevan ***	Independent	3	1

*includes Chairmanship of one committee

** deceased on April 17, 2005

*** effective from May 13, 2005

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

The Board met six times during the financial year 2004-05 on 17.05.04, 30.06.04, 25.07.04, 31.10.04, 28.01.05 and 26.03.05. The company placed before the Board the budgets, performance of the units and various other information specified in clause 49 of the listing agreement, from time to time.



Kandagiri Spinning Mills Limited

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

<i>Name of Director</i>	<i>No. of Board Meetings attended</i>	<i>Whether attended the Annual General Meeting</i>
Sri. K. R. Manicka Mudaliar	5	✓
Sri. R. Selvarajan	6	✓
Sri. S. Vijay Shankar	6	✓
Sri. S.P. Ratnam	4	✓
Sri. S.P. Rajendran	5	✓
Sri. M. Rajamani	5	✓
Sri. M. Sigamani	5	✓
Sri. S. Devarajan	6	✓
Sri. S. Dinakaran	6	✓
Sri. S. Sivakumar	5	✓
Sri. R. Kandaswami	4	✓
Sri. P. S. Ananthanarayanan	6	✓
Sri. N. Asoka	5	✓
Sri. V. Gopalan	6	✓
Sri. M. Guruvayurappan	—	—
Sri. V. Mahadevan	—	—

(iii) Remuneration of Directors

(Rupees)

<i>Director</i>	<i>Salary and Perquisites</i>	<i>Sitting Fees</i>
Sri. K. R. Manicka Mudaliar	—	12,500
Sri. R. Selvarajan	12,27,456	—
Sri. S. Vijay Shankar	12,23,698	—
Sri. S. P. Ratnam	—	10,000
Sri. S. P. Rajendran	—	12,500
Sri. M. Rajamani	—	12,500
Sri. M. Sigamani	—	12,500
Sri. S. Devarajan	—	25,000
Sri. S. Dinakaran	—	12,500
Sri. S. Sivakumar	4,03,200	—
Sri. R. Kandaswami	—	20,000
Sri. P. S. Ananthanarayanan	—	32,500
Sri. N. Asoka	—	12,500
Sri. V. Gopalan	—	32,500
Sri. M. Guruvayurappan	—	—
Sri. V. Mahadevan	—	—

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 was last reconstituted on 13.05.2005. The Committee met five times during the financial year 2004-05. The role and terms of reference of the Committee cover areas mentioned under clause 49 of the listing agreement. The present composition of the Committee is as follows.



Kandagiri Spinning Mills Limited

Name	Designation	No. of meetings attended
Sri. V. Gopalan	Chairman	5
Sri. S. Devarajan	Member	5
Sri. R. Kandaswami	Member	3
Sri. P. S. Ananthanarayanan	Member	5
Sri. V. Mahadevan *	Member	—

* effective May 13, 2005

Sri. N.J. Rajagopal, Company Secretary, is also the Secretary of the Audit Committee. The head of internal audit and statutory auditors and cost auditors were also present whenever required. The Committee inter alia considered the unaudited quarterly financial results and also annual accounts.

(ii) Investors' Grievance Committee

The Board constituted the Investors' Grievance Committee which looks into Shareholders' and investors' grievances. The Committee met four times during the financial year 2004-05. The Committee 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, 151 requests/complaints were received and attended to promptly to the satisfaction of the shareholders. 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	4
Sri. S. Vijay Shankar	Member	4
Sri. N. Asoka *	Member	—

* effective May 13, 2005

Sri. N. J. Rajagopal, Company Secretary, is the compliance officer.

(iii) Share Transfer Committee

Share transfers are made by the Registrars and Transfer Agents (RTA), M/s. Cameo Corporate Services Limited, Chennai, on the authorization given by the Board through meetings held at Chennai. The transfers/transmissions effected by the RTA are submitted to the Share Transfer Committee of the Board for confirmation and details are furnished to the Board at its meetings. No share transfer requests were pending as on March 31, 2005. The following are the members of the Share Transfer Committee.

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

Sri. N.J. Rajagopal, Company Secretary, is the compliance officer.

(iv) Remuneration Committee

The committee consist of the following independent directors as members

Name	Designation	No. of meetings attended
Sri. P. S. Ananthanarayanan	Chairman	1
Sri. V. Gopalan	Member	1
Sri. R. Kandaswami	Member	—
Sri. N. Asoka *	Member	1

* effective May 13, 2005



Kandagiri Spinning Mills Limited

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
2002	27/09/2002	12.00 noon	Mill Premises, Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem 636 014.
2003	25/07/2003	12.00 noon	Mill Premises, Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem 636 014.
2004	30/06/2004	12.00 noon	Mill Premises, Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem 636 014.

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 during the year 2005-06.

5. Disclosures

(i) Related party transactions

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 on its website soon. The Management Discussion and Analysis is part of the Directors' report.

7. General Information to Shareholders

(i) Annual General Meeting

Date and Time	: July 27, 2005 at 11.00 a.m.
Venue	: Mill Premises, Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem 636 014.

(ii) Financial Calendar

Financial reporting for	:	
Quarter ending June 30, 2005	:	July 2005 (3 rd or 4 th week)
Half year ending September 30, 2005	:	October 2005 (3 rd or 4 th week)
Quarter ending December 31, 2005	:	January 2006 (3 rd or 4 th week)
Year ending March 31, 2006	:	June 2006 (3 rd or 4 th week)
Annual General Meeting	:	June/July 2006
(iii) Date of book closure	:	July 21, 2005 to July 27, 2005
(iv) Dividend payment date	:	August 26, 2005
(v) Registered Office	:	Mill Premises, Post Bag No.3, Udayapatti PO, Salem 636 140.
(vi) Listing of Equity Shares on Stock Exchanges	:	The Stock Exchange, Mumbai Madras Stock Exchange Ltd., Chennai Coimbatore Stock Exchange Ltd., Coimbatore

The requisite annual listing fees have been paid to the above Stock Exchanges upto 31.3.2006



Kandagiri Spinning Mills Limited

(vii) Registrar and Transfer Agents

Shares held in depository mode : Cameo Corporate Services Limited
and physical mode Subramanian Building, No.1 Club House Road,
Chennai 600 002.

(viii) Dematerialisation of Shares

The shares are available for trading in the depository system of both the National Securities Depository Limited (NSDL) and the Central Depository Services Limited (CDSL). So far, 64.38% shares are in dematerialised form. The International Securities Identification (ISIN) No. is INE 292D01019.

(ix) Stock market data

Month	High (Rs.)	Low (Rs.)
April 2004	41.80	32.80
May 2004	45.25	33.50
June 2004	43.00	32.00
July 2004	44.00	34.00
August 2004	49.30	37.00
September 2004	59.45	42.00
October 2004	56.60	47.15
November 2004	109.50	51.05
December 2004	120.70	62.00
January 2005	70.00	55.50
February 2005	72.80	59.00
March 2005	65.85	50.15

(x) Distribution of shareholding as on March 31, 2005

Slab of shareholding	Shareholders	%	No. of shares	%
0 – 5000	4539	98.65	8,71,169	22.63
5001 – 10000	21	0.46	1,62,604	4.22
10001 and above	41	0.89	28,15,477	73.15
Total	4601	100.00	38,49,250	100.00

(xi) Share holding pattern as on March 31, 2005

Category	No. of shares held	%
Indian Promoters	26,91,672	69.93
Financial Institutions	—	—
Bodies Corporate	2,04,633	5.32
Non Resident Indians	560	0.01
Indian Public	9,52,385	24.74
Total	38,49,250	100.00

(xii) Plant Locations

Spinning Mills

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



Kandagiri Spinning Mills Limited

Wind Energy Converters

- a) Panagudi Village, Radhapuram Taluk, Tirunelveli District.
- b) Pazavoor Village, Radhapuram Taluk, Tirunelveli District.
- c) Udhayathoor Village, Radhapuram Taluk, Tirunelveli District.
- d) Kudimangalam Village, Udumalpet Taluk, Coimbatore District.

(xiii) Investor Correspondence

- a) The Company Secretary
Kandagiri Spinning Mills Limited
Post Bag No.3, Udayapatti P.O., Salem 636 140.
Telephone: (0427) 2240720-22 (3 lines)
Fax No: (0427) 2240769
Email: superspin@sancharnet.in
- b) Registrar and Transfer Agents
Cameo Corporate Services Limited
Subramanian Building, No.1 Club House Road, Chennai 600 002.
Telephone: (044) 28460390 (5 lines)
Fax No: (044) 28400129
Email: cameo@cameoindia.com

Auditors' Certificate

To
The Members of Kandagiri Spinning Mills Limited

We have reviewed the compliance of conditions of Corporate Governance by Kandagiri Spinning Mills Limited for the year ended March 31, 2005, with the relevant records and documents maintained by the company and furnished to us.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

On the basis of our review and according to the information and explanations given to us, we certify that the Company has, for the year ended March 31, 2005, complied in all material respects with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement(s) with the Stock Exchange(s).

We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For M. S. Krishnaswami & Rajan
Chartered Accountants,

Salem
May 13, 2005

M. K. Rajan – Partner
Membership No.4059