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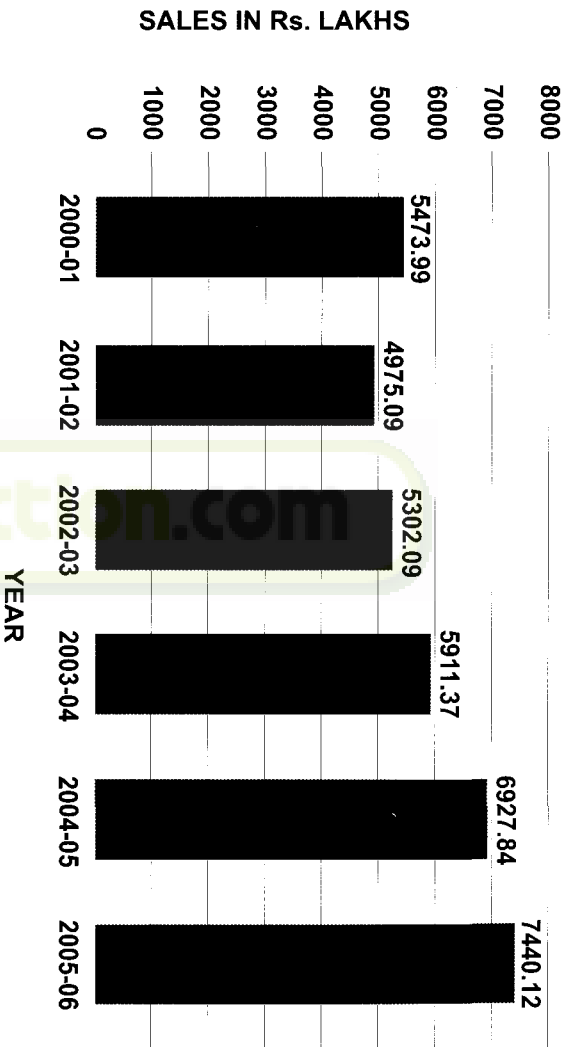
30<sup>th</sup>

*Annual Report*  
**2005-2006**

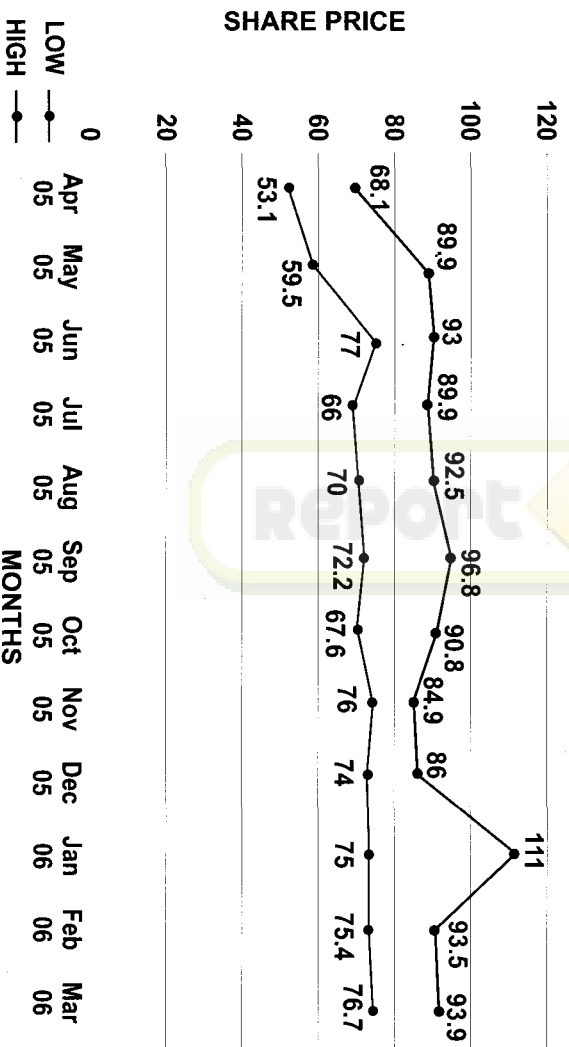


**KANDAGIRI SPINNING MILLS LIMITED**

### SALES DURING LAST 6 YEARS



### MOVEMENT OF SHARE PRICE





## 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  
 V. Mahadevan  
 P.S. Ananthanarayanan  
 V. Gopalan  
 N. Asoka  
 Rajan Mehra (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  
 Karnataka Bank Limited  
 ICICI Bank Limited  
 UTI 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 and Parameshwaram Village  
 Radhapuram Taluk  
 Tirunelveli District.

Kudimangalam Village  
 Udumalpet Taluk  
 Coimbatore District

Udhayathoor Village  
 Radhapuram Taluk  
 Tirunelveli District

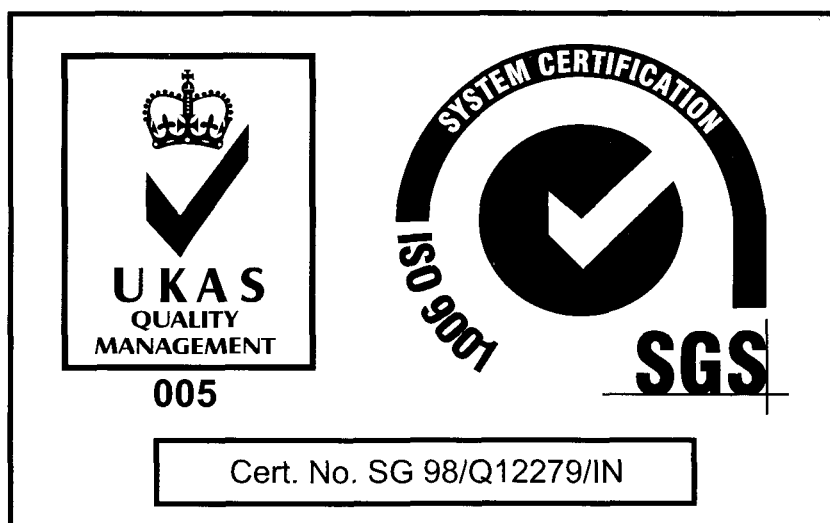


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**Certification**



## Kandagiri Spinning Mills Limited

## Significant Information

Rs. in lakhs

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
1. Fixed assets	<b>7444.76</b>	4885.30	3910.87	4233.06	1968.25	1954.21
2. Net current assets	<b>2146.47</b>	2524.91	2627.89	1076.51	1410.34	1562.73
3. Total capital employed	<b>10002.77</b>	7848.09	6902.30	5553.29	3138.99	3727.20
4. Shareholders' funds	<b>1920.60</b>	1723.72	1603.84	1561.75	1446.25	1871.26
5. No. of shares	<b>38,49,250</b>	38,49,250	38,49,250	38,49,250	38,65,650	38,65,650
6. Net worth per share (Rs.)	<b>50</b>	45	42	41	37	48
7. Turnover - gross	<b>7582.15</b>	7139.83	6330.84	5572.08	5064.41	5562.25
8. Turnover - net	<b>7440.12</b>	6927.84	5911.37	5302.09	4975.09	5473.99
9. Gross profit PBDIT	<b>1731.33</b>	1308.04	1299.48	853.86	623.34	658.46
10. Profit before tax PBT	<b>607.78</b>	524.26	335.21	325.28	128.03	125.35
11. Profit after tax PAT	<b>432.78</b>	288.95	180.21	250.28	83.03	98.35
12. Retained earnings	<b>932.26</b>	643.71	556.94	451.34	333.64	326.84
13. Dividends (%)	<b>50</b>	35	35	35	20	20
14. Earnings per share (Rs.)						
- Basic	<b>11.24</b>	7.51	4.68	6.50	2.15	2.54
- Basic without deducting deferred tax	<b>14.54</b>	12.55	8.03	7.69	2.34	2.54
- Basic cash earnings	<b>34.47</b>	26.79	21.77	17.62	11.78	11.35
15. Spindle capacity (spindles)	<b>49,388</b>	39,932	39,932	39,932	39,932	39,932
(Rotors)	<b>384</b>	384	168	168	168	168

- Note: (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, 16,400 shares were forfeited



## Kandagiri Spinning Mills Limited

### Notice to the shareholders

Notice is hereby given that the thirtieth annual general meeting of the company will be held at the mill premises, Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem 636 014 on Wednesday, the 28<sup>th</sup> June, 2006 at 11.30 hours to transact the following business:

### Ordinary Business

1. To receive, consider and adopt the audited Balance sheet as at March 31, 2006, 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 S. Devarajan b) Sri S. Dinakaran c) Sri P.S. Ananthanarayanan and d) Sri V. Gopalan
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 ordinary resolutions.

5.1 "Resolved that the consent of the shareholders be and is hereby accorded to the board of directors of the company pursuant to the provisions of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of directors of the company to mortgage and/or create charge on all the immovable and movable properties or such assets of the company wherever situate, present and future and /or with power to enter upon and take possession of the assets of the company in certain events on such terms and conditions and at such time or times and in such form or manner as it may think fit, to or in favour of the financial institutions/banks for an aggregate nominal value not exceeding Rs.200 crores ( Rupees two hundred crores only) to secure the term loans together with interest, costs, charges, expenses and other monies including premium payable in the connection with the above in terms of the agreement to be entered into between the company and the financial institutions/banks, such security to rank pari passu with or second or subservient to, the mortgage and/or charges already created or to be created by the company in such manner as may be agreed to between the concerned parties and as may be thought expedient by the board and further that the board be and is hereby authorized to finalise and execute the documents and any other deeds and things as may be necessary or expedient for implementing this resolution."

5.2 "Resolved that in modification of the resolution passed at the extra-ordinary general meeting held on 2<sup>nd</sup> June, 2003, the consent of the company is hereby accorded to the Board of directors under section 293(1)(d) of the Companies Act, 1956 to borrow any sum of money or sums of money from time to time notwithstanding that the money or moneys to be borrowed together with moneys already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital and free reserves of the company, that is to say, reserves not set apart for any specific purposes, so however that the total amount so borrowed shall not exceed Rs.200 crores (Rupees two hundred crores only)."

6. To consider and if thought fit, to pass, with or without modification, the following resolution as SPECIAL RESOLUTION.

Resolved that the company do apply to the Madras Stock Exchange and the Coimbatore Stock Exchange for delisting the shares in those exchanges and to continue the listing only with the Bombay Stock Exchange and that the Board of directors of the company be and is hereby authorised to apply to these two stock exchanges to get the shares delisted from these exchanges.

Registered office  
Mill Premises  
Post Box No.3  
Udayapatti P.O.  
Salem 636 140

For and on behalf of the Board

**N.J. Rajagopal**  
Company Secretary

May 5, 2006



## Kandagiri Spinning Mills Limited

### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of self and such proxies need not be a member of the company. Proxies, in order to be effective, must be received by the company at the Registered office not less than 48 hours before the meeting.
2. The Register of members and share transfer books of the company will remain closed from June 22, 2006 to June 28, 2006 (both days inclusive).
3. Payment of dividend will be rounded off pursuant to the provisions of section 288B of the Income tax Act, 1961 and Rule 23 of the Companies (Central Government's) General Rules & Forms, 1956. Dividend tax will be paid by the company pursuant to section 115O of the Income tax Act, 1961.
4. Members are requested to contact **M/S Cameo Corporate Services Limited, Registrar and Share Transfer agent of the Company at Subramanian Building, No.1 Club House Road, Chennai 600 002** for recording any change of address, bank mandate, ECS or nominations and for redressal of complaints or contact the Company Secretary at the Registered office or by email at [superspin@sancharnet.in](mailto:superspin@sancharnet.in)
5. Those members who have so far not encashed their dividend warrants for the year 1998-99 may claim or approach the company for the payment thereof as the same will be transferred in August 2006 to the Investor Education and Protection Fund of the Central Government, pursuant to section 205C of the Companies Act, 1956. After transfer to the above fund shareholders will cease to have any claim over that amount.
6. Those members who have so far not dematerialised their shares are advised to demat their shares held in physical form.
7. Pursuant to Clause 49 of the listing agreement with Stock Exchanges, a brief resume of directors who are proposed to be re-appointed at this meeting is given below.

Sri S. Devarajan, a science graduate, is an Industrialist. He is the son of promoter director Sri S.P. Sambandam. He was first appointed to the board at the annual general meeting held in 1979 and has since been reappointed over the years by rotation. At present he is the Managing Director of Sambandam Spinning Mills Limited and SPM Health Care Services Private Limited. Also he is a director in several companies and a member in the audit committee and share transfer committee in our company. He is well conversant with the textile industry and has more than three decades of experience in the field of textiles. He holds 90,410 shares in the company.

Sri S. Dinakaran is an Industrialist. He is the son of promoter director Sri S.P. Sambandam. He was first appointed to the board during the year 2002. At present he is the Managing Director of Sambandam Siva Textiles Private Limited and Joint Managing Director of Sambandam Spinning Mills Limited. Also he is a director in several companies. He is well conversant with the textile industry and has more than two decades of experience in the field of textiles. He holds 1,09,750 shares in the company.

Sri P.S. Ananthanarayanan, an Engineer cum Cost Accountant, has held high position in Balmer Lawrie & Company 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 and also the chairman of its audit committee. He does not hold any shares in the company.

Sri V. Gopalan, a financial consultant, is a member of the Institute of Chartered Accountants, Cost Accountants and Company Secretaries and has held high position as Vice President in ICICI Limited, Director-Finance and Company Secretary in Cognizant Technology Solutions India Limited. He has more than two decades of experience in finance and administration. He is also a Director in Sambandam Spinning Mills Limited and a member of its audit committee. He does not hold any shares in the company.

**Kandagiri Spinning Mills Limited****EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM 5.1 and 5.2**

Section 293(1)(a) and section 293 (1)(d) of the Companies Act, 1956 require the consent of the members to mortgage the assets of the company and approval of members for borrowing from banks/financial institutions in excess of the paid up capital and free reserves respectively. The company plan for an expansion and modernisation programme resulting in addition of 13,200 spindles at a project cost of Rs.40 crores. The project is to be financed through bank borrowing of Rs.32 crores. The total borrowings, including the proposed borrowing, will exceed the limit of Rs.100 crores approved by the members at the extra-ordinary meeting held on June 2, 2003. Hence the board recommends that the resolution may be approved by the members for borrowing limit upto Rs.200 crores and to create mortgage on the assets of the company upto Rs.200 crores.

None of the directors is interested or concerned in the above resolutions.

**ITEM 6**

The company's shares are traded in the Bombay Stock Exchange. There has been no trading in the Madras Stock Exchange and Coimbatore Stock Exchange. As such, the board recommends the proposal for shareholders' approval to delist the shares from these two stock exchanges and to continue the listing with the Bombay Stock Exchange. Shares listed in the Bombay Stock Exchange facilitates trading of the company's shares all over the country. As such delisting of shares in the Coimbatore and Madras Stock Exchange will not affect the shareholders' right to trade in company's shares anywhere in India. Hence the board recommends the resolution for approval of the members.

None of the directors is interested in the resolution.

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## 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.
- Responsible and responsive 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) Constituion 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	4	1
Sri S.P. Rajendran	Non-Executive	6	-
Sri M. Rajamani	Non-Executive	1	-
Sri M. Sigamani	Non-Executive	-	-
Sri S. Devarajan	Non-Executive	5	2
Sri S. Dinakaran	Non-Executive	5	-
Sri S. Sivakumar	Wholtime Director	-	-
Sri V. Mahadevan	Independent	4	1
Sri P.S. Ananthanarayanan	Independent	1	2*
Sri N. Asoka	Independent	2	3*
Sri V. Gopalan	Independent	1	2
Sri M. Guruvayurappan**	Independent-nominee of ICICI	-	-
Sri Rajan Mehra ***	Independent-nominee of ICICI	-	-

\*includes Chairmanship of one committee

\*\* upto December 21, 2005

\*\*\* effective December 21, 2005

##### (ii) Attendance of directors at board meetings and annual general meeting

The board met four times during the financial year 2005-06 on 13.05.05, 28.07.05, 24.10.05 and 30.01.06. The company placed before the Board the budgets, performance of the units and various other informations 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:

Name of director	No. of board meetings attended	Whether attended the Annual General Meeting
Sri K.R. Manicka Mudaliar	4	✓
Sri R. Selvarajan	4	✓
Sri S. Vijay Shankar	4	✓
Sri S.P. Ratnam	4	✓
Sri S.P. Rajendran	4	✓
Sri M. Rajamani	4	✓
Sri M. Sigamani	4	✓
Sri S. Devarajan	4	✓
Sri S. Dinakaran	3	✓
Sri S. Sivakumar	4	✓
Sri V. Mahadevan	3	✓
Sri P.S. Ananthanarayanan	4	✓
Sri N. Asoka	4	✓
Sri V. Gopalan	4	✓
Sri M. Guruvayurappan*	-	NA
Sri Rajan Mehra**	-	NA

## (iii) Remuneration of Directors

Rupees

Director	Salary and Perquisites	Sitting Fees
Sri K.R. Manicka Mudaliar	-	10,000
Sri R. Selvarajan	36,00,000	--
Sri S. Vijay Shankar	24,00,000	--
Sri S.P. Ratnam	-	10,000
Sri S.P. Rajendran	-	10,000
Sri M. Rajamani	-	10,000
Sri M. Sigamani	-	10,000
Sri S. Devarajan	-	35,000
Sri S. Dinakaran	-	7,500
Sri S. Sivakumar	4,03,200	-
Sri V. Mahadevan	-	27,500
Sri P.S. Ananthanarayanan	-	40,000
Sri N. Asoka	-	15,000
Sri V. Gopalan	-	40,000
Sri M. Guruvayurappan*	-	-
Sri Rajan Mehra**	-	-

\* upto December 21, 2005

\*\* effective from December 21, 2005

## 3. Committees of the board

## (i) Audit committee

The Audit committee of the company was constituted on 31.01.2002. The audit committee now consists of four directors of which three are independent directors. The committee met five times during the financial year 2005-06. 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: