

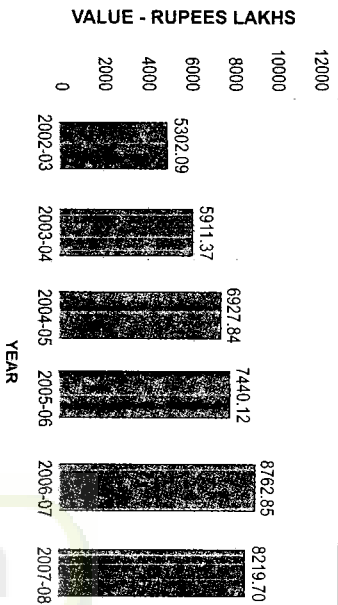


**KANDAGIRI SPINNING MILLS LIMITED**

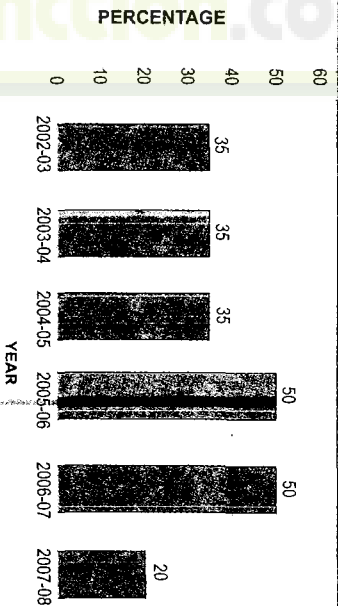
Report  Junction.com

**32<sup>nd</sup>**  
**Annual Report**  
**2007 - 2008**

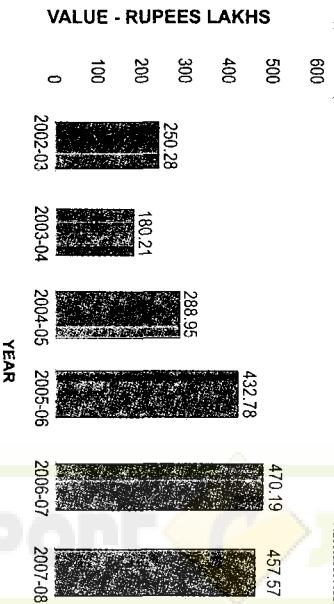
# NET SALES DURING THE LAST 6 YEARS



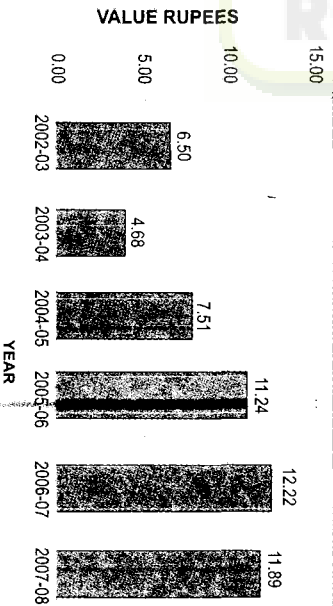
## DIVIDEND



## PROFIT AFTER TAX (PAT)



## EARNINGS PER SHARE





## Kandagiri Spinning Mills Limited

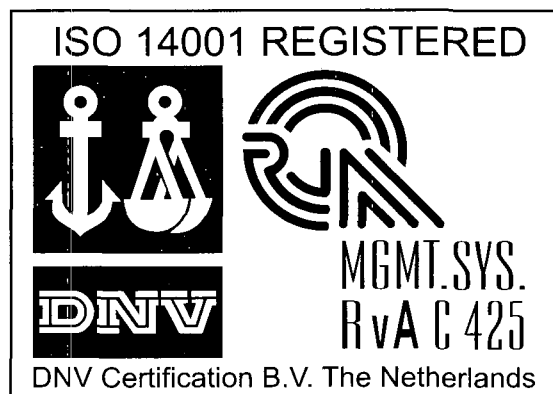
<b>Chairman Emeritus</b>	S.P. Ratnam
<b>Board of Directors</b>	<p>R. Selvarajan – Chairman cum Managing Director</p> <p>S. Vijay Shankar – Joint Managing Director</p> <p>S. Devarajan</p> <p>M. Rajamani</p> <p>V. Mahadevan</p> <p>P.S. Ananthanarayanan</p> <p>V. Gopalan</p> <p>N. Asoka</p> <p>Rajan Mehra (Nominee of ICICI Bank)</p> <p>K.R. Manicka Mudaliar (upto July 27, 2007)</p> <p>S.P. Ratnam (upto May 29, 2008)</p> <p>S.P. Rajendran (upto May 29, 2008)</p> <p>S. Dinakaran (upto May 29, 2008)</p> <p>M. Sigamani (upto May 29, 2008)</p> <p>S. Sivakumar (upto May 29, 2008)</p>
<b>Statutory Auditors</b>	M.S. Krishnaswami & Rajan
<b>Cost Auditors</b>	S. Mahadevan & Co
<b>Bankers</b>	<p>State Bank of India</p> <p>Karnataka Bank Limited</p> <p>AXIS Bank Limited</p> <p>ICICI Bank Limited</p>
<b>Registered Office</b>	<p>Post Box No.3, Mill Premises,</p> <p>Udayapatti P.O.</p> <p>Salem 636 140.</p> <p>Tamil Nadu.</p>
<b>Spinning Plants</b>	<p>Unit I : Udayapatti P.O., Salem 636 140.</p> <p>Unit II : Seshanchavadi P.O. Salem 636 111.</p> <p>Unit III : M. Perumapalayam Cross Road Mettupatty P.O., Salem 636 111.</p>
<b>Wind Energy Converters</b>	<p>Panangudi, Pazavoor, Udhayathoor and Parameshwarapuram Villages Radhapuram Taluk, Tirunelveli District.</p> <p>Melamaruthappapuram Village Veerakeralam Pudur Taluk Tirunelveli District.</p> <p>Gudimangalam Village Udumalpet Taluk, Coimbatore District</p>



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## Certification





## Kandagiri Spinning Mills Limited

## Significant Information

Rs. lakhs

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
1. Fixed assets	11670.22	8636.44	7444.76	4885.30	3910.87	4233.06
2. Net current assets	2824.75	2999.21	2146.47	2524.91	2627.89	1076.51
3. Total Capital employed	14834.82	12012.75	10002.77	7848.09	6902.30	5553.29
4. Shareholders' funds	2391.63	2034.92	1920.60	1723.72	1603.84	1561.75
5. No. of shares	38,49,250	38,49,250	38,49,250	38,49,250	38,49,250	38,49,250
6. Net worth per share (Rs.)	62	53	50	45	42	41
7. Turnover - gross	8327.25	8887.82	7582.15	7139.83	6330.84	5572.08
8. Turnover - net	8219.70	8762.85	7440.12	6927.84	5911.37	5302.09
9. Gross profit - PBDIT	1937.39	2165.76	1731.33	1308.04	1299.48	853.86
10. Profit before tax - PBT	700.57	724.69	607.78	524.26	335.21	325.28
11. Profit after tax - PAT	457.57	470.19	432.78	288.95	180.21	250.28
12. Retained earnings	950.19	1173.51	932.26	643.71	556.94	451.34
13. Dividend (%)	20	50	50	35	35	35
14. Earnings per share - - Basic (Rs.)	11.89	12.22	11.24	7.51	4.68	6.50
15. Installed capacity - Spindles	56,588	54,188	49,388	39,932	39,932	39,932
- Rotors	552	552	384	384	168	168

Note: 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.
- Responsible 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
- Create a management team with entrepreneurial and professional skills

#### 2. Board of directors

##### Composition of the Board

The Board has fourteen directors, comprising two whole-time directors and twelve non-executive directors as on March 31, 2008. The non-executive directors include five independent directors who are professionals from various fields who bring independent judgement to the Board's discussions and deliberations. The Board functions either as a full Board or through Committees. The Board met five times during the financial year 2007-08 on May 9, 2007, July 6, 2007, July 27, 2007, October 31, 2007 and January 30, 2008. The Company placed before the Board the financial results, budgets, performance of the units and various other information specified in clause 49 of the listing agreement, from time to time. The composition of the Board as on March 31, 2008 and attendance of the directors at the Board Meetings and at the Annual General Meeting held during the year 2007-08 are as under:

Name of the Directors	Executive/ Non-Executive/ Independent	No. of other Directorships	Membership of other Company's Board Committees	No. of Board Meetings attended	Attendance at the AGM
Sri S.P. Ratnam	Non Executive	4	-	5	✓
Sri R. Selvarajan	Managing Director	4	1	5	✓
Sri S. Vijay Shankar	Joint Managing Director	1	-	5	✓
Sri S. Devarajan	Non Executive	6	2**	5	✓
Sri S. Dinakaran	Non Executive	5	1	4	✓
Sri S.P. Rajendran	Non Executive	5	-	5	✓
Sri M. Rajamani	Non Executive	1	-	5	✓
Sri M. Sigamani	Non Executive	-	-	3	✓
Sri S. Sivakumar	Non Executive	1	-	5	✓
Sri P.S. Ananthanarayanan	Independent	1	2**	5	✓
Sri V. Mahadevan	Independent	4	5*	5	✓
Sri V. Gopalan	Independent	2	2	4	-
Sri N. Asoka	Independent	2	3*	5	✓
Sri Rajan Mehra	Independent- nominee of ICICI	-	-	-	-

\* includes chairmanship of one committee

\*\* includes chairmanship of two committees



## Kandagiri Spinning Mills Limited

Sri K.R. Manicka Mudaliar resigned as Chairman and Director on July 27, 2007

Sri S. Sivakumar has not renewed his contract to hold the office of whole time director from October 23, 2007

Sri R. Selvarajan has been redesignated as Chairman cum Managing Director with effect from May 29, 2008

Sri S.P. Ratnam, Sri S.P. Rajendran, Sri S. Dinakaran, Sri M. Sigamani and Sri S. Sivakumar resigned from the Board on May 29, 2008

### 3. Committees of the Board

The Board of directors has constituted five committees of the Board Viz.

- i) Audit committee
- ii) Finance committee
- iii) Remuneration committee
- iv) Share transfer committee
- v) Investors' grievance committee

The Board determines the terms of reference of these committees from time to time. Meetings of these committees are convened by the Chairman of the respective committee. At each Board Meeting, minutes of the meetings of these committees are placed before the directors for their perusal and noting.

#### (i) Audit committee

The Audit committee of the company comprises five members, out of which four members are independent directors and one member is a non-executive director. Sri V. Gopalan, an independent director is the Chairman of the committee. The committee members are professionals having requisite experience in the fields of finance and accounts, banking and management. The Audit committee met five times during the financial year 2007-08 on May 8, 2007, July 5, 2007, July 26, 2007, October 30, 2007 and January 29, 2008. The Managing Director, Internal Auditor, Cost Auditor and the Statutory Auditors are invitees to Audit committee meetings. The committee inter alia considered the audited annual results, unaudited quarterly financial results and annual budget. The role and terms of reference of the committee cover areas mentioned under clause 49 of the listing agreement. The attendance of members at the meetings was as under :

Name	Position	No. of meetings attended
Sri V. Gopalan	Chairman	5
Sri S. Devarajan	Member	5
Sri P.S. Ananthanarayanan	Member	5
Sri V. Mahadevan	Member	5
Sri N. Asoka	Member	5

#### (ii) Finance committee

The Finance committee of the company comprises three members, of which two members are executive directors and one member is a non-executive director. The committee members are having requisite experience in the fields of finance and management. The Finance committee met four times during the financial year 2007-08 on September 10, 2007, September 25, 2007, January 7, 2008 and March 27, 2008. The committee inter alia considered the borrowings and deployment of funds. The attendance of members at the meetings was as under :

Name	Position	No. of meetings attended
Sri R. Selvarajan	Chairman	4
Sri S. Devarajan	Member	4
Sri S. Vijay Shankar	Member	4



## Kandagiri Spinning Mills Limited

### (iii) Remuneration committee

The Board of directors of the Company constituted a Remuneration committee comprising three directors, all of whom are non-executive independent directors. The committee played a major role in framing Company's policies for compensation and benefits for executive directors. During the year, no remuneration committee meeting was held.

Name	Position	No. of meetings attended
Sri P.S. Ananthanarayanan	Chairman	-
Sri V. Gopalan	Member	-
Sri N. Asoka	Member	-

### Remuneration of directors

Remuneration of executive directors is recommended by the Remuneration committee and approved by the Board of directors and the Shareholders of the company. Remuneration of non-executive directors is determined by the Board and is also approved by the Shareholders in Annual General Meeting. Non-executive directors were paid sitting fees for every meeting of the Board of directors or of the committee attended by them. Remuneration paid to the directors are as under:

(Rupees)

Name of the Director	Salary and perquisites	Sitting fees
Sri S.P. Ratnam	-	12,500
Sri R. Selvarajan	36,00,000	-
Sri S. Vijay Shankar	24,00,000	-
Sri S. Devarajan	-	77,500
Sri S. Dinakaran	-	10,000
Sri S.P. Rajendran	-	12,500
Sri M. Rajamani	-	12,500
Sri M. Sigamani	-	7,500
Sri S. Sivakumar	2,38,800	-
Sri P.S. Ananthanarayanan	-	77,500
Sri V. Mahadevan	-	77,500
Sri V. Gopalan	-	75,000
Sri N. Asoka	-	77,500
Sri Rajan Mehra	-	-

### (iv) Share Transfer Committee

The Share Transfer Committee of the company comprises three members, out of which one is an executive director and two are non-executive directors. Share transfers are effected by the Registrar and Transfer Agents (RTA) Cameo Corporate Services Limited, Chennai, on the authorization given by the Board. The transfers / transmissions effected by the Registrar are submitted to the Share transfer committee of the Board for confirmation and details are furnished to the Board Meeting. The committee met four times during the financial year 2007-08 on May 9, 2007, July 27, 2007, October 31, 2007 and January 30, 2008. The attendance of members at the meetings was as under :

Name	Position	No. of meetings attended
Sri R. Selvarajan	Chairman	4
Sri S. Devarajan	Member	4
Sri S. Sivakumar	Member	4





## Kandagiri Spinning Mills Limited

### (v) Investors' Grievance Committee

The Investors' Grievance Committee has three members comprising two non-executive directors and one executive director. Sri N. Asoka, an independent director, is the Chairman of the Committee. The Committee looks into Shareholders' and investors' grievances. 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. The Committee met four times during the year 2007-08 on May 9, 2007, July 27, 2007, October 31, 2007 and January 30, 2008. 241 requests were received during the year and were attended to promptly to the satisfaction of the Shareholders. During the year no investor complaint was received and no investor complaint was pending either at the beginning or at the end of the financial year. The attendance of members at the meetings was as under :

Name	Position	No. of meetings attended
Sri N. Asoka	Chairman	4
Sri S. Sivakumar	Member	4
Sri S. Vijay Shankar	Member	4

### 4. General body meetings

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

Year	Date	Time	Venue
2005	27/07/2005	11.00 a.m.	Sambandam Spinning Mill Premises, Kamaraj Nagar Colony, Salem 636 014.
2006	28/06/2006	11.30 a.m.	Sambandam Spinning Mill Premises, Kamaraj Nagar Colony, Salem 636 014.
2007	06/07/2007	12.15 a.m.	Sambandam Spinning Mill Premises, Kamaraj Nagar Colony, Salem 636 014.

No Extra-ordinary General Meeting of the members was convened during the aforesaid three years and 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 this year.

One Special resolution was passed at the Annual General Meeting held on July 27, 2005 for amending Article 46 of the Articles of Association of the Company regarding transfer of unpaid dividend to the Investor Education and Protection Fund as required under section 205C of the Companies Act, 1956.

One Special resolution was passed at the Annual General Meeting held on June 28, 2006 for delisting the Company's shares from the Madras Stock Exchange Limited and the Coimbatore Stock Exchange Limited.

### 5. Disclosures

#### (i) Related party transaction

The Company has not entered into any transaction of a material nature with the promoters, directors, etc., that may have potential conflict with the interest 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 any Stock Exchange or SEBI.



## Kandagiri Spinning Mills Limited

### 6. Means of communication

The annual, half-yearly and quarterly results are regularly published in English and vernacular newspapers and are also posted on the Company's website at [www.kandagirimills.com](http://www.kandagirimills.com). These are also sent to the stock exchanges concerned in accordance with the listing agreement. The Management discussion and analysis is part of the Directors' report. Further the Company has also provided an exclusive email id < [ksmcs@kandagirimills.com](mailto:ksmcs@kandagirimills.com) > for shareholders to lodge their requests / grievances with the Company.

### 7. General shareholder information

#### (i) Annual general meeting

Date and time	: September 27, 2008 at 11.30 a.m.
Venue	: Sambandam Spinning Mill Premises, Kamaraj Nagar Colony, Salem 636 014.

#### (ii) Financial calender

Financial reporting for	
1st Quarter ending June 30, 2008	: July 2008 (4th week)
Half year ending September 30, 2008	: October 2008 (4th week)
3rd Quarter ending December 31, 2008	: January 2009 (4th week)
Year ending March 31, 2009 (Audited)	: May 2009 (4th week)
Annual General Meeting for 2008-09	: August / September 2009

(iii) Date of book closure	: September 19, 2008 to September 27, 2008
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(iv) Dividend payment date	: October 10, 2008
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(v) Registered office	: Mill Premises, Post Bag No.3 Udayapatti P.O.
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(vi) Listing of Company's equity shares on stock exchanges	: Bombay Stock Exchange Limited Annual listing fee paid upto 31.03.2009
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In accordance with the Special resolution passed by members at the Annual General Meeting held on June 28, 2006, the Company applied to the Coimbatore and the Madras Stock Exchanges for delisting the Company's shares in these two Stock Exchanges.

(vii) Registrar and transfer agents	: Cameo Corporate Services Limited
Shares held in Depository mode 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 67.81% shares are in dematerialised form. The International Securities Identification No.(ISIN) is INE 292D01019.