

Kandagiri Spinning Mills Limited



33rd
Annual Report
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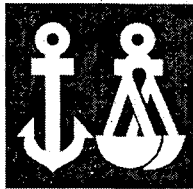
Kandagiri Spinning Mills Limited

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Certification

ISO 9001 REGISTERED

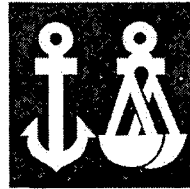


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KANDAGIRI SPINNING MILLS LIMITED

Registered Office : Udayapatti P.O., Salem - 636140

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Thirty Third Annual General Meeting of the Company will be held at the Mill premises of Sambandam Spinning Mills Limited at Kamaraj Nagar Colony, Salem – 636 014 on Wednesday, the 23rd September 2009 at 11.45 hours to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2009, Profit and Loss account and Cash Flow Statement for the year ended on that date and the report of the directors and the auditors thereon.
2. To appoint a director in the place of Sri V. Gopalan who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in the place of Sri P.S. Ananthanarayanan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration and, in this connection to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that, pursuant to Section 224 of the Companies Act, 1956, M/s. M.S.Krishnaswami & Rajan, Chartered Accountants be and are hereby re-appointed Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration and terms as may be determined by the Board of Directors of the Company."

Special Business

5. To consider, and if thought fit, to pass with or without modification, the following Resolution, as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or enactment thereof for the time being in force), consent of the Company be and is hereby accorded for reappointment of Sri R. Selvarajan, Chairman and Managing Director of the Company, for a period of three years from 1.10.2009 to 30.09.2012 on the following terms and conditions recommended by the Remuneration Committee and approved by the Board of Directors of the Company.

- (a) Basic Salary Rs.1,80,000 (Rupees one lakh and eighty thousand only) per month.
- (b) Perquisites and allowances not exceeding Rs.1,20,000 (Rupees one lakh and twenty thousand only) per month, details of which are set out in the Explanatory Statement."



6. To consider, and if thought fit, to pass with or without modification, the following Resolution, as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (Including any amendment thereto or enactment thereof for the time being in force) consent of the Company be and is hereby accorded for reappointment of Sri S. Vijay Shankar, Joint Managing Director of the Company, for a period of three years from 1.10.2009 to 30.09.2012 on the following terms and conditions recommended by the Remuneration Committee and approved by the Board of Directors of the Company.

- (a) Basic Salary Rs.1,20,000 (Rupees one lakh and twenty thousand only) per month.
- (b) Perquisites and allowances not exceeding Rs.80,000 (Rupees eighty thousand only) per month, details of which are set out in the Explanatory Statement."

For and on behalf of the Board of
Kandagiri Spinning Mills Limited
R.Selvarajan
Chairman and Managing Director

Place : Salem
Date : June 25 2009

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 proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the Registered office of the Company by 11.45 am on Monday, the 21st September 2009.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, September 17, 2009 to Wednesday September 23, 2009 (both days inclusive).
3. Members are requested to contact M/s.Cameo Corporate Services Ltd., Registrars and Share Transfer Agents of the Company, at Subramaniam Building, No.1 Club House Road, Chennai 600 002 for recording any change of address, bank mandate, or nominations and for redress of grievance or contact the Registered Office of the Company. Members can also submit their grievances direct to the Company at the following e mail ID
ksmcs@kandagirimills.com
4. Those members who have not so far encashed their dividend warrants for the year 2001-02 may claim or approach the Company for payment thereof as the same will be transferred in the first week of October 2009 to the Investor Education and Protection Fund of the Central Government, pursuant to Section 205 A(5) of the Companies Act, 1956. After transfer to the above fund, shareholders will cease to have any claim over that amount. Members who have not encashed any other year's dividend warrant after 2002 also may return the warrant(s) to the Company for revalidation / payment by fresh cheque.
5. As per the provisions of Section 109A and 109B of the Companies Act, 1956 facility for making nomination is available to the shareholders in respect of the shares held by them. This will facilitate smooth transmission of the shares after the life time of the shareholders, particularly those holding shares in sole name. Nomination forms can be obtained from M/s.Cameo Corporate Services Ltd., Registrars and Share Transfer Agents of the Company.
6. Securities Exchange Board of India vide its Circular No.MRD/DoP/Cir-05/2009, dated May 20, 2009 issued pursuant to Section 11 of the SEBI ACT, 1992, read with Section 55A of the Companies Act, made it mandatory for the shareholders to furnish a copy of their PAN card to the Company/RTA for registration of transfer of their shares. This is applicable to every transfer of shares transacted in the securities market irrespective of the amount of such transaction. Shareholders are advised to take note of this circular and comply with the same whenever they intend to transfer their shares.



7. Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a brief resume of the directors who are proposed to be re-appointed on their retirement at this Annual General Meeting is given below:
- Sri P.S.Aanathanarayanan, is an Engineering graduate and a Cost and Management Accountant. He has over forty years of experience in various Companies before his retirement as Executive Director of M/s.Balmer Lawrie & Company Limited, a Government of India enterprise. He has been an Independent Director of the Company from 23.10.2002. He is now a Financial and Management Consultant and he is also a director in Sambandam Spinning Mills Limited and chairman of its Audit Committee and the Remuneration Committee. He does not hold any shares in the Company.
 - Sri. V.Gopalan, is a Commerce Graduate and member of ICSI, ICAI & ICWAI. He held positions as Vice President of ICICI Limited, Director Finance and Company Secretary of Cognizant Technology solutions India Limited. He is now a Financial Consultant. He has more that two decades of experience in finance and administration. He has been an Independent Director of the Company from 19.1.2004. He is also a Director in Sambandam Spinning Mills Limited and a member of its audit committee and the Remuneration Committee. He does not hold any shares in the Company.

8. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 for the items No.5 and 6:

Sri R. Selvarajan and Sri S. Vijay Shankar were appointed as Managing Director and Joint Managing Director respectively with effect from April 1, 2005 for a period of five years on a remuneration of Rs.3,00,000 and Rs.2,00,000 per month respectively. Their reappointment is due on 01-04-2010. Sri R. Selvarajan was redesignated as Chairman and Managing Director of the Company at the Board meeting held on May 29, 2008.

The remuneration committee, at its meeting held on July 30, 2009, recommended reappointment of Sri R. Selvarajan, Chairman and Managing Director and Sri S. Vijay Shankar, Joint Managing Director for a period of three years from 01-10-2009 to 30.09.2012 and for payment of remuneration as stated in the respective resolutions. The Board of Directors, at its meeting held on July 31, 2009, has also approved the same. The Remuneration Committee and the Board of Directors of the Company are of the opinion that Sri R. Selvarajan, Chairman and Managing Director and Sri S. Vijay Shankar, Joint Managing Director are fit and proper persons to hold the said office and that payment of remuneration to them as stated in the Resolution are in the interest of the Company.

- Perquisites and Allowances: Following are the perquisites/allowances payable to the aforesaid whole-time Directors.
 - Company's contribution to provident fund;
 - Payment of Gratuity and other retirement benefits;
 - Leave with full pay as per the rules of the Company with encashment of unavailed leave being allowed;
 - Maintenance of residential accommodation, gas, water, electricity and power, furnishings and utility allowance;
 - reimbursement of medical expenses incurred in India and abroad for self and family including, in case of medical treatment abroad, air fare, boarding and lodging for patient and attendant;
 - leave travel assistance and allowance;
 - membership fees for clubs, including admission and life membership;
 - hospitalisation and accident insurance;
 - cost of insurance cover against the risk of any financial liability or loss because of any error of judgement;
 - free use of Company's car with driver for Company's work as well as for personal purpose along with driver,
 - telephone, tele-fax and other communication facilities at Company's cost,
 - subject to the statutory ceiling(s), the appointee may be given any other perquisites, benefits and facilities as the remuneration committee may from time to time decide.
- Valuation of perquisites: Perquisites shall be valued as per the income tax rules, wherever applicable and at actual cost to the company in other cases.
- The Company's contribution to provident fund as per para (a) (i) above, payment of gratuity as per para (a) (ii) above and encashment of leave at the end of the tenure as per para (a) (iii) above shall not be included in the computation of perquisites for the purpose of the ceiling.



In terms of Section II (1)(B) of Part II of Schedule XIII of the Companies Act, 1956, the Company can pay upto Rs.3,00,000 per month by way of salary, perquisites and allowances to each whole time director, provided, the shareholders' approval by way of special resolution has been obtained for payment of managerial remuneration for a period not exceeding three years. Accordingly, the special resolutions at Items No.5 and 6 are placed before the shareholders.

As required under clause (IV) of the proviso under Section II (1)(B) of Schedule XIII of the Companies Act, 1956, the additional information is furnished as under:

I General Information

- (1) Name of the industry : Textile
- (2) Date of commencement of Commercial Production : June 1976
- (3) Financial Performance :

Financial Highlights

(Rs. Lakhs)

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Fixed assets	13887.99	11670.22	8636.44	7444.76	4885.30	3910.87
Investments	245.00	245.00	245.00	245.00	257.06	151.60
Current assets – net	2742.55	2824.75	2999.21	2146.47	2524.91	2627.89
Miscellaneous expenditure	63.20	94.85	132.10	166.54	180.82	211.94
Total capital employed	16938.74	14834.82	12012.75	10002.77	7848.09	6902.30
Shareholders' funds	4425.60	2391.63	2034.92	1920.60	1723.72	1603.84
Loan funds	11214.89	11021.59	8794.22	7119.99	5289.19	4657.59
Deferred tax liability-net	1298.25	1421.61	1183.61	962.18	835.18	640.87
Net worth per share (Rs.)	115	62	53	50	45	42
Sales and other income	8587.84	8226.66	8775.11	7486.80	6935.29	5916.91
Profit before Interest and Depreciation	1242.59	1937.39	2165.76	1731.33	1308.04	1299.48
Profit / (loss) before tax	(384.67)	700.57	724.69	607.78	524.26	335.21
Profit / (loss) after tax	(266.32)	457.57	470.19	432.78	288.95	180.21
Retained earnings	462.80	950.19	1173.51	932.26	643.71	556.94
Dividend (%)	-	20	50	50	35	35
Earnings per share (Rs.)	(6.92)	11.89	12.22	11.24	7.51	4.68



		2009 (Rs. Lakhs)	2008
(4) Export Performance and net Foreign exchange :	(i) Earnings in foreign exchange	-	-
Collaborations :	No foreign collaboration		
	(ii) Expenditure in Foreign Currencies	1242.37	1245.91
(5) Foreign investments or Collaborators, if any :	Nil		

II Information about the appointee:

- (1) Background details:
- (1) Sri R. Selvarajan, 64 years of age, is a Matriculate. He has been the Managing Director of the Company from October 23, 2002 and has the distinction of leading the Company since then. He has been on the Board of various Companies and has more than four decades of experience in the field of textiles.
- (2) Sri S. Vijay Shankar, 32 year of age, is an MBA (Master of Business Administration). He became the Joint Managing Director of the Company on October 23, 2002 and has been leading the Company since then. He specialized in business administration and finance and has served the Company for the past 7 years.
- (2) Past remuneration:
- (1) For Sri R. Selvarajan, Rs.3,00,000/- per month inclusive of perquisites such as House rent allowance, Medical reimbursement, gas, water and electricity, leave encashment, gratuity, club subscriptions and other usual perquisites.
- (2) For Sri S. Vijay Shankar, Rs.2,00,000/- per month inclusive of perquisites such as House rent allowance, Medical reimbursement, gas, water and electricity, leave encashment, gratuity, club subscriptions and other usual perquisites.
- (3) Recognition and award :
- Nil
- (4) (i) Job profile :
- (1) As Chairman and Managing director Sri R. Selvarajan is in charge of the management of the affairs of the Company.
- (2) As Joint Managing director Sri S. Vijay Shankar, is assisting the Managing Director in the management of the affairs of the Company.
- (ii) His suitability :
- (1) Experience of Sri R. Selvarajan, for the past 35 years as Director in Sambandam Spinning Mills Limited and for the past 7 years as Managing Director of the Company makes him ideally suitable for the said position.
- (2) Experience of Sri S Vijay Shankar, in the field of business administration and finance for the past 7 years in the Company makes him ideally suitable for the said position.



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|---|---|
| (5) Remuneration proposed : | (1) Rs.3,00,000 per month inclusive of perquisites and other allowances as mentioned supra for Sri R. Selvarajan |
| | (2) Rs.2,00,000 per month inclusive of perquisites and other allowances as mentioned supra for Sri S. Vijay Shankar. |
| (6) Comparative remuneration profile with respect to industry : | Information not available |
| (7) Pecuniary relationship with the Company or relationship with the managerial personnel if any: | <p>(1) Sri R. Selvarajan holds 7,78,330 equity shares of Rs.10 each in the Company and he is related to Sri S. Vijay Shankar, Joint Managing Director.</p> <p>(2) Sri S. Vijay Shankar holds 4,09,582 equity shares of Rs.10 each in the Company and he is related to Sri R. Selvarajan, Managing director.</p> |

III. Other information:

Reasons for inadequate profits, steps taken for improvement and expected increase in productivity :

The Company's profitability was significantly affected due to continued power cut, erratic power supply, increase in power cost due to increase in diesel price and high price of purchased power from private power producers, increase in the price of raw material (Cotton), decrease in the selling price of yarn due to excessive supply of the product in the domestic market consequent upon diversion of the stock meant for exports to the domestic market arising out of global economic slow down, recession in the US economy and appreciation of rupee. Management completed the expansion project in July 2008 Initiated action for development of value added products and implemented cost cutting measures through out the organization, which are expected to improve the productivity and profitability of the company.

The proposed reappointment and payment of remuneration to Sri R. Selvarajan, Chairman and Managing Director and Sri S. Vijay Shankar, Joint Managing Director are subject to the approval of the shareholders by way of special resolution at the ensuing Annual General Meeting of the Company.

Sri S. Vijay Shankar, Joint Managing Director is deemed to be concerned with or Interested in the reappointment and the remuneration payable to Sri R. Selvarajan, Chairman and Managing Director and Sri R. Selvarajan, Chairman and Managing Director is deemed to be concerned with or Interested in the reappointment and the remuneration package to Sri S. Vijay Shankar, Joint Managing Director.

The above explanatory statements together with the accompanying notice is to be treated as an abstract of the change in the terms of remuneration payable to Sri R. Selvarajan, Chairman and Managing Director and Sri S. Vijay Shankar, Joint Managing Director of the Company under section 302 of the Companies Act 1956.

Registered office :
Mill Premises,
Udayapatti P.O,
Salem - 636 140.

For and on behalf of the Board of
Kandagiri Spinning Mills Limited
R. Selvarajan
Chairman and Managing Director



KANDAGIRI SPINNING MILLS LIMITED.

Regd. Office : Mill Premises, P.B. No.3, Udayapatti P.O., Salem - 636 140.

ATTENDANCE SLIP

Please complete this Attendance Slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the Thirty Third Annual General Meeting of the Company held at the Mill Premises, Sambandam Spinning Mills Ltd., Kamaraj Nagar Colony, Salem - 636 014 on WEDNESDAY the 23rd September 2009 at 11.45 hours

Member's Name & Address :

Folio / DP ID / Client ID No.

No. of Shares

Proxy's Name

Signature of the Attending Member / Proxy



KANDAGIRI SPINNING MILLS LIMITED.

Regd. Office : Mill Premises, P.B. No.3, Udayapatti P.O., Salem - 636 140.

PROXY FORM

I / We of being a Member(s) / of Kandagiri Spinning Mills Limited, hereby appoint..... of or failing him / her as my / our proxy to vote for me / us on my / our behalf at the Thirty Third Annual General Meeting of the Company to be held on Wednesday the 23rd September 2009 at 11.45 hours at the Mill Premises, Sambandam Spinning Mills Ltd., Kamaraj Nagar Colony, Salem - 636 014 and at any adjournment thereof.

Signed this day of September, 2009

Address :

Folio No.:

DP ID No.:

Client ID No.:

No. of Shares

Signature

Member Name :



N.B. : 1 This proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting. (i.e.) before 11.45 a.m. on 21.09.2009, 2.Proxy need not be a member, 3.Attendance Slip should be sent to the proxy appointed by the member and not to the Company, 4.Strike out blank space not used, 5. Members should sign duly affixing 15 Paise Revenue Stamp. Unstamped or unsigned proxy is invalid and is liable for rejection, 6. A shareholder may vote either for or against each resolution (clause 34(g) of listing agreement).



Kandagiri Spinning Mills Limited

Chairman Emeritus	S.P. Ratnam
Board of Directors	R. Selvarajan – Chairman and Managing Director S. Vijay Shankar – Joint Managing Director S. Devarajan M. Rajamani V. Mahadevan P. S. Ananthanarayanan V. Gopalan N. Asoka
Statutory Auditors	M.S. Krishnaswami & Rajan
Cost Auditors	S. Mahadevan & Co
Bankers	State Bank of India Karnataka Bank Limited Axis Bank Limited
Registered Office	Post Box No.3, Mill Premises Udayapatti P.O. Salem 636 140. Tamil Nadu
Spinning Plants	Unit I : Udayapatti P.O., Salem 636 140. Unit II : Seshanchavadi P.O. Salem 636 111. Unit III : M. Perumapalayam Cross Road Mettupatty P.O., Salem 636 111.
Wind Energy Converters	Panangudi, Pazhavor, Udhayathoor and Parameshwarapuram Villages Radhapuram Taluk, Tirunelveli District, Tamilnadu. Melamaruthappapuram Village Veerakeralam Pudur Taluk, Tirunelveli District, Tamilnadu. Gudimangalam Village Udumalpet Taluk, Coimbatore District, Tamilnadu.