



**KANDAGIRI SPINNING MILLS LIMITED**

**40<sup>th</sup> Annual Report**

**2015 - 2016**



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## Kandagiri Spinning Mills Limited



Board of Directors	R. Selvarajan S. Vijay Shankar S. Devarajan M. Rajamani Dr. A. Sarayu P.S. Ananthanarayanan Dr. V. Gopalan N. Asoka S. Gnanasekharan Kameshwar M Bhat	- Chairman and Managing Director - Non Executive Director - Non Executive Director - Non Executive Director - Non Executive Director - Non Executive Independent Director - Non Executive Independent Director - Non Executive Independent Director - Non Executive Independent Director - Non Executive Independent Director
Chief Financial Officer	S. Vijay Shankar	
Company Secretary	J. Asifa	
Statutory Auditors	M.S. Krishnaswami & Rajan	
Secretarial Auditors	B.K. Sundaram & Associates	
Cost Auditors	S. Mahadevan & Co	
Bankers	State Bank of India Karnataka Bank Limited Axis Bank Limited	- Consortium Lead Bank - Consortium Member - Consortium Member
Registered Office	Post Box No. 3, Mill Premises, Udayapatti P.O., Salem 636 140, Tamil Nadu.	
Corporate Identity No. (CIN)	:	L17111TZ1976PLC000762
Spinning Plants	Unit I	: Udayapatti P.O., Salem 636 140, Tamil Nadu.
	Unit II	: Seshanchavadi P.O., Salem 636 111, Tamil Nadu.
	Unit III	: M. Perumapalayam, Cross Road, Mettupatty P.O., Salem 636 111, Tamil Nadu.
Wind Energy Converters	Panangudi, Pazhavor, Udhayathoor and Parameshwarapuram Villages, Radhapuram Taluk, Tirunelveli District, Tamil Nadu.  Melamaruthappapuram Village, Veerakeralam Pudur Taluk, Tirunelveli District, Tamil Nadu.  Gudimangalam Village, Udumalpet Taluk, Coimbatore District, Tamil Nadu.	



## KANDAGIRI SPINNING MILLS LIMITED

*Post Box No.3, Udayapatti, Salem 636 140.*

*Ph. 0427-2244400; Fax-0427-2244422, CIN : L17111TZ1976PLC000762*

**E mail: sales@kandagirimills.com; ksmcs@kandagirimills.com,**

**Website : www.kandagirimills.com**

### NOTICE TO THE SHAREHOLDERS

Notice is hereby given pursuant to section 96 and other applicable provisions of the Companies Act, 2013 that the Fortieth 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 Saturday, **the 6<sup>th</sup> August, 2016 at 11.30 a.m** to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt
  - a. The Audited Financial Statements of the Company for the year ended March 31, 2016 together with the notes annexed thereto and the reports of the Board of Directors and the Auditors thereon.
  - b. The Audited Consolidated Financial Statements of the Company for the year ended March 31, 2016 together with the notes annexed thereto and the report of the Auditors thereon.
2. To appoint a director in the place of Sri S. Devarajan (holding DIN 00001910) who retires by rotation and being eligible, offers himself for re-appointment.

### 3. Appointment of Statutory Auditors

“RESOLVED THAT pursuant to the provisions of section 139(2) and other applicable provisions, if any, of the Companies Act 2013 and the rules framed there under (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), M/s. M.S.Krishnaswami & Rajan, Chartered Accountants (Firm registration No.01554S) be and are hereby re-appointed as Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting for the financial year 2016-17 on a remuneration of Rs.3,70,000/- (Rupees Three Lakhs and Seventy thousand only) excluding the out of pocket expenses that may be incurred by them in connection with the audit and excluding the applicable service tax.”

### SPECIAL BUSINESS

#### 4. Acceptance of Fixed deposits from Members of the Company

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to accept deposits from the members of the Company in accordance with the provisions of Section 73(2) and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed there under (including any statutory modifications(s) or re-enactment(s) thereof for the time being in force) duly observing the procedure for accepting deposits from the members of the Company and within the limits prescribed there under.”

#### 5. Ratification of remuneration payable to the Cost Auditors

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED THAT the remuneration of Rs.2,50,000/- (Rupees Two lakhs Fifty thousand only) payable for audit of cost accounts of the Company for the financial year ending 31<sup>st</sup> March, 2017 to



M/s. S. Mahadevan & Co., Cost Accountants as recommended by the Audit Committee and approved by the Board of Directors of the Company pursuant to section 148 of the Companies Act, 2013 read with rule 14 and other applicable rules of the Companies (Audit and Auditors) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) excluding the out of pocket expenses that may be incurred by them in connection with the audit and excluding the applicable service tax be and is hereby ratified.

RESOLVED FURTHER THAT the Board of directors of the Company be and is hereby authorised to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By order of the Board of Directors  
For **Kandagiri Spinning Mills Limited**

**J. Asifa**  
**Company Secretary**

Place : Salem  
Date : May 21, 2016

**NOTES :**

1. A Member entitled to attend and vote is entitled to appoint proxy/proxies to attend and vote on poll instead of himself/ herself and the proxy need not be a Member. Please read the instructions printed overleaf the Proxy Form attached to this notice before using the Form. The right of remote e-voting shall not be exercised by a Proxy.
2. The explanatory statement of material facts pursuant to Section 102 of the Companies Act, 2013 in respect of special business set out under Items No. 4 and 5 of the Notice is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from July 31, 2016 (Sunday) to August 6, 2016 (Saturday) (both days inclusive).
4. Members holding shares in physical form are requested to contact M/s Cameo Corporate Services Limited, 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 Company Secretary at the Registered Office of the Company.

In case of shareholders holding shares in demat form, all such intimations are to be sent to their respective Depository Participants (DP). Members can also submit their grievances direct to the Company at the following email ID: [sales@kandagirimills.com](mailto:sales@kandagirimills.com); [ksmcs@kandagirimills.com](mailto:ksmcs@kandagirimills.com)

5. As per the provisions of the Companies Act, facility for making nominations is available to individuals holding shares in the Company. The prescribed nomination form can be obtained from the RTA / Depository Participants.
6. As per the provisions of Section 205A of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account of the Company shall be transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India. Accordingly, the Company has transferred to IEPF all unclaimed / unpaid dividends declared up to the financial year 2007-08.

Pursuant to the provisions of Investor Education and Protection Fund (uploading of information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012 the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 27<sup>th</sup> September, 2015 (date of last AGM) on the website of the Company ([www.kandagirimills.com](http://www.kandagirimills.com)) and the relevant form is filed with Ministry of Corporate Affairs. Shareholders can ascertain the status of their unclaimed amounts from these websites.



7. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market for registering transfers, transpositions, transmissions etc. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the RTA, Cameo Corporate Services Limited, at 'Subramanian Building', No.1, Club House Road, Chennai – 600 002.
9. Additional information pursuant to regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of Directors seeking appointment / re-appointment at the AGM are furnished and forms part of the Notice. The Directors have furnished the requisite consents / declarations for their appointment(s).
10. Members are requested to inform the Company their e-mail ID to facilitate quick response from the Company. Ministry of Corporate Affairs has recognised e-mail communication to share holders as effective and efficient means of communication from the Company and also member's communication to the Company. Members may register their e-mail id with the Company and also keep the Company informed of any changes in their e-mail ID
11. Members who have not so far dematerialized their shares are advised to demat the shares held in Physical form which will ensure safety and security for their shares.
12. The Notice of the AGM along with the Annual Report 2015-16 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company / Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode. Members may note that this Notice and the Annual Report 2015-16 will also be available on the Company's website : [www.kandagirimills.com](http://www.kandagirimills.com)

**13 VOTING THROUGH ELECTRONIC MEANS [Remote E-voting]**

Pursuant to Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015 and regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company is pleased to offer remote e-voting facility to the members to cast their votes electronically on all Resolutions set forth in the Notice convening the 40<sup>th</sup> AGM. The Company has engaged the services of Central Depository Securities Limited (CDSL) for this purpose.

**The voting period begins on 02.08.2016 at 9.15 a.m and ends on 05.08.2016 at 5.00 p.m.** During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on **Saturday, 30.07.2016 (cut-off date)**, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

**Instructions for members for voting electronically are as under:-**

**In case of members receiving e-mail:**

- (i) Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com)
- (ii) Click on "Shareholders" tab.
- (iii) Now, select the "COMPANY NAME" "KANDAGIRI SPINNING MILLS LIMITED" from the drop down menu and click on "SUBMIT".
- (iv) Now Enter your User ID (For CDSL: 16 digits beneficiary ID, For NSDL: 8 Character DP ID followed by 8 Digits Client ID, Members holding shares in Physical Form should enter Folio Number registered with the Company and then enter the Captcha Code (image verification) as displayed and Click on Login.
- (v) If you are holding shares in Demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used. If you are a first time user follow the steps given below.
- (vi) Now, fill up the following details in the appropriate boxes:



**For Members holding shares in Demat Form or in Physical Form**

<b>For Members holding shares in Demat Form or in Physical Form</b>	
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)  * Members who have not updated their PAN with the Company / RTA / DP are requested to use the first two letters of their name and the sequence number in the 'PAN field'. The S.L. No. printed on your address slip pasted on the Annual Report envelope added with sufficient 0s in between the first two letters of your name and the S.L. No. to fill the ten digit PAN field for this purpose,  Example: If your name is Ramesh with S.L. No. 00003615 then enter RA00003615 in the 'PAN field'. If the name is V.K. Mohan with S.L. No. 00000005, enter VK00000005 in the 'PAN field'.
Date of Birth (DOB)	Enter the Date of Birth (as recorded in your demat account or in the Company records for the said demat account or folio) in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio.

Please enter DOB or dividend bank details in order to login. In case both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field.

- (vi) After entering these details appropriately, click on “SUBMIT” tab.
- (vii) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (viii) Click on the EVSN for the relevant <Company Name> “KANDAGIRI SPINNING MILLS LIMITED” on which you choose to vote.
- (ix) On the voting page, you will see Resolution Description and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (x) Click on the “Resolutions File Link” if you wish to view the entire Resolutions.
- (xi) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xii) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xiii) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xiv) If Demat account holder has forgotten the changed password then, enter the User ID and Captcha Code click on Forgot Password & enter the details as prompted by the system.
- (xv) Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates. After receiving the login details they have to link the account(s) which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.



(xvii) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

**In case of members receiving the physical copy:**

- (A) Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.
- (B) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.co.in](http://www.evotingindia.co.in) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

**In case of members acquiring shares after the dispatch of the notice:**

Any person who acquires shares of the Company and becomes a member of the Company as on the cut-off date shall follow the above instructions to cast their vote through e-voting process.

**14 VOTING AT THE VENUE OF THE AGM**

In terms of Companies (Management and Administration) Amendment Rules, 2015 with respect to the voting through electronic means, the Company is pleased to offer the facility for voting by way of polling at the venue of the AGM. Members attending the meeting should note that those **who are entitled to vote but have not exercised their right to vote by 'Remote' e- voting may vote at the AGM through polling for all businesses specified in the Notice. Members who have exercised their right to vote by Remote e-voting may attend AGM but shall not vote at the AGM.**

- 15 The voting rights of the members shall be in proportion to their shares of the paid up Equity Share Capital of the Company as on the 'cut-off' date being Saturday, 30<sup>th</sup> July, 2016.
- 16 **SHRI B. KALYANASUNDARAM (MEMBERSHIP NO. 672 ) OF M/S B. K. SUNDARAM & ASSOCIATES PRACTISING COMPANY SECRETARIES** has been appointed as the Scrutinizer to scrutinize the remote e-voting and AGM Venue voting processes in a fair and transparent manner.
- 17 The Scrutinizer shall, immediately after the conclusion of the voting at the general meeting count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of atleast two witnesses not in the employment of the Company.
- 18 The Scrutinizer not later than three days of the conclusion of the AGM shall submit a consolidated report of the total votes cast through remote e-voting process and votes cast at the AGM to the Chairman or any person authorised by him who shall countersign the same and declare the results of the voting forthwith.
- 19 The results declared along with the report of the Scrutinizer shall be placed on the website of the Company [www.kandagirimills.com](http://www.kandagirimills.com) and the website of the CDSL immediately after the declaration of result and shall also be immediately forwarded to the Stock Exchange where the Company's shares are listed.
- 20 All documents referred to in this notices will be available for inspection during business hours of the Company until the date of the Annual General Meeting of the Company.
- 21 Proxy Form and Attendance Slip enclosed in Page No **99 & 100** respectively.

**EXPLANATORY STATEMENTS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

**Item No.4 - Acceptance of Deposits from Members of the Company**

Section 73(2) of the Companies Act 2013 prescribes that approval of the members by passing a resolution at the General Meeting is required for the Board of Directors to accept deposits from the shareholders of the Company. The Board Do Not Contemplate To Accept Deposits As At Present. However, the rules prescribed under the Act prescribe certain procedures to be followed by the Company before accepting deposits from the members. After securing the approval of members at the AGM, board will decide about the timing for accepting deposits from the members after complying with the prescribed procedure in this regard. Board of directors recommends the resolution for members' approval. None of the directors/Key Managerial Personnel or their relatives is interested or concerned in the resolution.





**Item No.5 - Ratification of the Remuneration Payable to Cost Auditors**

As recommended by the Audit Committee at the Audit Committee Meeting held on 20<sup>th</sup> May, 2016, Board of directors have approved the appointment of M/s. S. Mahadevan & Co., Cost Accountants for audit of cost accounts of the Company on payment of Rs.2,50,000/- ( Rupees two lakhs fifty thousand only ) excluding out of pocket expenses and service tax for the year ending 31<sup>st</sup> March, 2017. Board of directors have accepted the recommendation of the Audit committee and approved their appointment. As per the provisions of Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules 2014, remuneration payable to the cost auditor as approved by the Board of directors of the Company shall be ratified by the shareholders. Resolution for this purpose is placed for consideration of members for ratification of the remuneration as stated in the resolution. None of the directors or the key managerial personnel or their relatives is interested in the resolution.

By order of the Board of Directors  
For **Kandagiri Spinning Mills Limited**

Place : Salem  
Date : May 21, 2016

**J. Asifa**  
**Company Secretary**

**Details of Director seeking re-appointment**

<b>Name of the Director</b>	<b>Sri S. Devarajan</b>
DIN	00001910
Date of birth	12-09-1949
Date of Appointment	17-04-1978
Qualification	B.Sc.
Expertise in Specific Functional areas	He is an industrialist and he is the son of promoter director Sri S. P. Sambandam. He was first appointed to the Board in the year 1978 and has since been reappointed over the years by rotation. At present he is the Managing Director of Sambandam Spinning Mills Limited and Chairman of SPMM Healthcare Services Private Limited
Directorship/Committee Membership in other Companies	<p align="center"><b>Directorship</b></p> <ol style="list-style-type: none"> <li>Sambandam Spinning Mills Limited, Salem (SSML)</li> <li>SPMM Health Care Services Private Limited, Salem (SPMM)</li> <li>Sambandam Siva Textiles Private Limited, Salem (SSTPL)</li> <li>Sambandam Investment &amp; Leasing Limited, Salem (SILL)</li> <li>Sambandam Fabrics Private Ltd, Salem (SFPV)</li> <li>Sambandam Textiles Private Ltd, Salem (STPL)</li> <li>Salem IVF Centre Private Limited</li> </ol> <p align="center"><b>Committee Membership in SSML</b></p> Chairman of Share Transfer Committee, Finance Committee, CSR Committee and Member of Stakeholders' Relationship Committee
No. of Shares in the Company	92,227
Inter-se relationship with any other director	NIL
Number of Board meetings attended during the year	Attended: Five (5). Board Meetings held during the year : Five (5)



## KANDAGIRI SPINNING MILLS LIMITED

### DIRECTORS' REPORT

Your directors have pleasure in submitting their 40<sup>th</sup> Annual Report together with the audited accounts for the year ended March 31, 2016 (the year).

#### Performance Highlights

	2015 - 16	2014 - 15
	(Rupees in Lakhs)	
Export - Direct	179	224
- Merchandise	7544	12706
Domestic Sales	6740	5993
Other operating income	10	13
Total Turnover	14473	18936
Gross profit/(Loss) (i.e., Profit before interest and depreciation)	868	2096
Cash profit/(Loss) (i.e., Profit / before depreciation)	(375)	981
Profit/(Loss) before exceptional Item and tax	(1134)	227
Exceptional Item - provision for diminution in investments	-	-
Profit/(Loss) after exceptional Item (before tax) - PBT	(1134)	227
Profit/(Loss) after exceptional Item and tax – PAT	(1134)	156
Earnings per share - basic and diluted Rs.	(29.46)	4.04

#### Dividend

In view of the loss incurred during the year, no dividend is recommended by your Board of Directors for the financial year 2015-16.

#### Reserves and Surplus

The current year loss of Rs. 1133.76 lakhs has been added to the deficit at the beginning of the year of Rs.124.86 lakhs. As such, deficit at the end of the year aggregates to Rs.1258.62 lakhs.

#### Financial Performance with respect to Operational Performance:

During the year under review, your Company's turnover was reduced to Rs. 14473 lakhs as against Rs. 18936 lakhs of previous year. Your Company incurred a loss of Rs. 1134 lakhs as against profit of Rs. 227 lakhs in the previous year mainly due to uneconomical yarn prices in the export market where the Company had a higher proportion and prior commitments.

Your Company's performance was also adversely affected mainly due to steep fall in the yarn selling prices in the domestic market. During the year, though the cotton price remained at the same level, the poor off-take of yarn due to recession in yarn market resulted in losses. Hence the Company forced to slow down the yarn production by nearly 15% compared to previous year.

In order to meet the financial needs, your company had borrowed additional funds from Banks resulting in higher interest cost. Adding to the owes, the backing-out imposed by TANGEDCO on Company's windmill generated power caused a reduction of generation of power by nearly 30 lakh units.



## MANAGEMENT DISCUSSION AND ANALYSIS

The core business of the company is manufacture and sale of cotton yarn. The management discussion and analysis given below discusses the key issues of the cotton yarn spinning sector.

### (a) Industry structure and developments:

The FY 2015-16 has been a year of exceptional slow down for yarn markets globally. Surplus production, uneconomical exports and reduced demand for quality yarn in the domestic market are some of the reasons for the lower performance of the industry. These circumstances have created challenges of shifting towards new value added products, selling at higher price or premium price for the better quality of yarn, better productivity and enhancing marketing strategies for evolution of new markets. Decision to reduce exports at the present juncture due to the uneconomical prices also aggravated situation due to competition from other developing countries like Indonesia, Vietnam, Bangladesh, Philippines etc.,.

### (b) Outlook

The industry expects an improvement during the current year as cotton prices are stabilizing and yarn prices have started improving from the first quarter of the financial year 2016-17. Further, there is an increasing demand for value added yarns and also other cellulosic fibre yarns like Viscose, Modal and Linen fibre both in the domestic and international markets. In view of these factors, Company's performance is expected to improve during the year 2016-17.

### (c) Strategies and Future plans

While product innovation is being resorted to on a continuing basis to improve market share and better yields, the company has started identifying areas of cost reduction both in power consumption and other overheads. With the successful commissioning of dedicated feeders in all the three units of the Company and purchase of private power under group captive scheme, dependence on GENSET power has been totally reduced and uninterrupted power supply is available to our company resulting in substantial decrease in power costs. The Company is also actively examining the possibility of reducing costs at all levels. Company is also exploring and planning to start fabric production initially by job-work in the coming years.

### (d) Risks and Concerns

Your Company has devised risk management policy which involves identification of the business risks as well as the financial risks, its evaluation, monitoring, reporting and mitigation measures. The Audit Committee and Board of Directors of the Company periodically review the risk management policy of the Company so that management controls the risk through properly defined network. Head of Departments are responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and the Audit Committee. The details of risk management mechanism and key risks faced by the Company are enumerated in the risk management policy. Risk management policy is uploaded in the company's website [www.kandagirimills.com](http://www.kandagirimills.com).

### (e) Internal control systems

The Company has in place, a well established internal control procedures covering various areas such as procurement of raw materials, production planning, quality control, maintenance planning, marketing, cost management and debt servicing. Necessary checks and balances have been instituted for timely correction with an effective internal audit system.

Your company is certified ISO 9001: 2008 for Quality Management System Standards (Manufacture and supply of yarn) and ISO 14001: 2004 for Environmental Management System Standards (the systems). Further, your company's laboratory is also certified by NABL.



**(f) Human resources management**

Employees are your company's most valuable resource. Your Company continues to create a favourable environment at work place.

The company also recognises the importance of training and consequently deposes its work force to various work related courses/seminars including important areas like Total Quality Management (TQM), Technical skills etc. The fact that the relationship with the employees continued to be cordial is testimony to the company's ability to retain high quality workforce.

**(g) Environmental Protection, Health and Safety (EHS)**

EHS continues to receive the highest priority in all operational and functional areas at all locations of your Company. Systematic process safety analysis, audits, periodic safety inspections are carried out by expert agencies and suitable control measures adopted for ensuring safe operations at the site. Various processes as required for Pollution Control and Environmental Protection are strictly adhered to.

**(h) Corporate Social Responsibility**

Board of Directors of the Company has constituted Corporate Social Responsibility (CSR) Committee and devised a CSR policy to carry out CSR initiatives in line with the requirements specified under the Companies Act, 2013. Details of CSR expenditure has been given in the annexure to this report. Since the Company has incurred loss of Rs. 1134 lakhs during the FY 2015-16, Company was not able to discharge the total CSR obligation of Rs. 11.94 lakhs and has spent Rs. 1.65 lakhs towards CSR. The CSR policy has been hosted on the website of the Company [www.kandagirimills.com](http://www.kandagirimills.com).

**Extract of Annual Return**

The extract of annual return in Form MGT – 9 has been annexed with this report and forms part of this report.

**Number of Board Meetings**

The details pertaining to meetings of the Board has been explained under Corporate Governance Report annexed to the director's report and forms part of this report.

**Establishment of Vigil Mechanism**

The Company has established a vigil mechanism for Directors and employees to report their genuine concerns. The policy has been uploaded on the Company's website under the web-link: <http://www.kandagirimills.com/investors/ksml2014-wbp.pdf>

**Declaration by Independent Directors**

Independent directors of the Company have submitted a declaration that each of them meets the criteria of independence as provided in Sub-Section (6) of Section 149 of the Act. Further, there has been no change in the circumstances which may affect their status as Independent director during the year.

**Secretarial Auditors' Report**

Company appointed M/s B. K. Sundaram & Associates, Practising Company Secretaries as Secretarial Auditors, to conduct Secretarial Audit of the Company for the financial year 2015-16. The report of the Secretarial Audit for the financial year 2015-16 in FORM MR-3 is annexed to this report and forms part of this report. There are no disqualifications, reservations or adverse remarks or disclaimers in Secretarial Auditors Report.



#### **Independent Auditors' Report**

There is no qualification in the Independent Auditors' Report except Independent Auditor has pointed out the delay in repayment of bank term loan principal and interest dues to the bankers. Your directors wish to state that due to cash flow constraints there was delay in repayment of bank term loan principal and interest dues which has been subsequently paid off. With respect to the term loan principal and interest dues outstanding as on the board report date, your directors wish to state that the same will be paid in due course.

#### **Audit Committee**

Details of Composition of Audit Committee are covered under Corporate Governance Report annexed with this report and forms part of this report. Further, during this year all the recommendations of the Audit Committee have been accepted by the Board.

#### **Policy of Directors Appointment and Remuneration**

Company's policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under section 178(3) of the Act are covered under Nomination and Remuneration Policy hosted on the Company's website [www.kandagirimills.com](http://www.kandagirimills.com) Further, information about elements of remuneration package of individual directors is provided in the extract of Annual Return as provided under Section 92(3) of the Act, in prescribed form MGT-9 annexed with this report and forms part of this Report.

#### **Particulars of Employees**

None of the employees or directors of the Company has drawn remuneration exceeding Rs.5 lakhs per month or Rs.60 lakhs per annum during the year.

#### **Managerial Remuneration**

Statistical Disclosures pursuant to Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed with this report and forms part of this report.

#### **Related Party Transactions**

Transactions entered with related parties have been explained in Form AOC -2 annexed with this report and forms part of this report. Further, Policy on dealing with Related Party Transactions has been uploaded on the Company's website, under the web link: <http://www.kandagirimills.com/investors/ksml2014-rtp.pdf>

#### **Board Evaluation**

The board of directors had carried out an annual evaluation of its own performance, Board committees and individual directors pursuant to the provisions of the Companies Act, 2013 and SEBI Regulations.

In the separate meeting of the Independent directors, performance of non-independent directors, performance of the board as a whole and performance of the Chairman was evaluated taking into account the views of executive directors and non-executive directors. The same was discussed at the next Board Meeting and the Independent Directors were evaluated without the presence of the director getting evaluated and also the performance of the Board, its Committees and individual directors were also discussed by the Board. The individual directors and the board as a whole in accordance with the performance Evaluation Policy guidelines were evaluated mainly on the basis of the criteria such as attendance, participation, contribution and the benefits derived by the Company. The Chairman was evaluated on the key aspects of his role. The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc. The Performance Evaluation policy is uploaded in the Company's website.

None of the Independent directors are due for reappointment.



#### **Familiarisation Programme of the Independent Directors**

Periodic presentations are made by Senior Management, Statutory and Internal Auditors at the Board/Committee meetings on business and performance updates of the Company, global business environment, business risks and its mitigation strategy, impact of regulatory changes on strategy etc. Updates on relevant statutory changes encompassing important laws are regularly intimated to the Independent directors.

#### **Deposits**

The following are the details of deposits covered under Chapter V of the Act

- i. Deposits Accepted from shareholders during the year (2015 - 16) : Rs. 63.49 lakhs
- ii. Remained unpaid or unclaimed as at the end of the year : NIL
- iii. Any default in repayment of deposits or payment of interest thereon during the year: NIL

Company has duly complied with the provisions of section 73 of the Companies Act, 2013 read with relevant rules with respect to fixed deposits.

#### **Cost Audit Report**

Cost Audit was not applicable for the Company for the year 2014-15. In view of the Company maintaining the Cost Records continuously and in order to provide the comparable audited figures for the year 2014-15 in the cost audit report for the year 2015-16, Cost Audit for the year 2014-15 was carried out on a voluntary basis.

In accordance with the amendments effected in the Cost Audit rules, Cost Audit is applicable for the year 2015-16. M/s. S. MAHADEVAN & CO., Cost Accountants were reappointed as Cost Auditors of the Company for the FY 2015-16 and the Cost Audit report for the year 2015-16 in XBRL format will be filed with MCA well within the due date.

On the recommendation of the Audit Committee M/s. S. MAHADEVAN & CO., Cost Accountants were reappointed as Cost Auditors of the Company for the FY 2016-17 and Board places before the members the resolution for ratification of remuneration payable to Cost Auditors.

#### **Directors**

All the Independent directors of the Company viz., Dr. V. Gopalan, Sri P.S. Ananthanarayanan, Sri N. Asoka, Sri S. Gnanasekharan and Sri Kameshwar M. Bhat were appointed at the 38<sup>th</sup> AGM of the Company held on 28.09.2014 for a term of five consecutive years from the date of 38<sup>th</sup> AGM till the conclusion of the 43<sup>rd</sup> AGM of the Company. Non- Executive directors Sri M. Rajamani and Dr. A. Sarayu were also appointed at the 38<sup>th</sup> AGM of the Company held on 28.09.2014 and they are liable to retire by rotation. Sri S. Devarajan retires by rotation this year and being eligible offers himself for reappointment and the resolution is placed before the members for approval.

Chairman and Managing Director Sri R. Selvarajan reappointed for a term of three years at the last AGM held on 27.09.2015. Company's Code of Conduct applicable to the board has been adopted by the board and all directors of the company have confirmed compliance with the Code of Conduct

#### **Key Managerial Personnel**

Members at the last AGM held on 27.09.2015 approved the revision in the remuneration package of Chairman and Managing Director Sri R. Selvarajan and Chief Financial Officer and Non – Executive director Sri S. Vijay Shankar. Sri S. Vijay Shankar receives remuneration only in his capacity as Chief Financial Officer and do not receive sitting fees etc., in his capacity as non-executive director.

In view of the unsatisfactory financial performance of the Company, CMD and CFO had forgone their increase in salary as a gesture.



**Auditors**

The auditors, M/S M.S. Krishnaswami & Rajan, Chartered Accountants, retire at the ensuing annual general meeting and have confirmed their eligibility and willingness to accept office, if appointed. On the recommendation of the Audit Committee your Company's board is placing the resolution u/s 139(2) of the Company's Act, 2013 for reappointment of the statutory Auditors of the Company for the current financial year.

**Particulars of Loans, Guarantees or Investments under Section 186 of the Companies Act, 2013**

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the Note 3.19 of the notes to the financial statements.

**Disclosure as per Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has zero tolerance for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed there under. The Company has set up a Committee for addressing issues related to women and during the financial year 2015-16, there were no complaints received on sexual harassment.

**Performance of Associate Company**

Your Company has an associate M/s SPMM Healthcare Services Private Limited within the meaning specified under Section 2 (6) of Companies Act, 2013. M/s SPMM Healthcare services private Limited has recorded a total revenue of Rs. 3,18,59,942 during the year 2015-16 as against Rs. 3,92,43,57/- in the previous year and profit after tax of Rs.47,29,843 during the year 2015-16 as against Rs.43,63,920/- in the previous year. A separate statement containing the salient features of the financial statement of the associate in FORM AOC -1 has also been annexed with this report as per the requirements of provisions of section 129 of the Companies Act, 2013 and forms part of this report.

**Significant And Material Orders Passed By The Courts Or Tribunals Impacting The Company : NIL**

**Material Changes and Commitments during the year, if any**

There were no material changes and commitments between the end of the period under review and the date of this report which could have an impact on the Company's operation in the future or its status as a "going concern".

**Annexures to this Report**

The following are the annexures to this report

1. Director's Responsibility Statement in Annexure 1
2. Conservation of energy, technology absorption, Research and development and foreign exchange earnings and outgo in Annexure 2
3. Statement containing salient features of the financial statement of associate company (Form AOC – 1) in Annexure 3
4. Form AOC - 2 in Annexure 4
5. Extract of Annual Report (Form MGT-9) in Annexure 5
6. Secretarial Audit Report (Form MR-3) in Annexure 6
7. Details of CSR Expenditure in Annexure 7
8. Particulars of Remuneration in Annexure 8
9. CEO / CFO Certification in Annexure 9
10. Corporate Governance Report in Annexure 10



**Cautionary Note**

Statements in the Directors' report and the management discussion and analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results might differ materially from those either expressed or implied in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other related factors such as litigation and industrial relations.

**Acknowledgement**

Directors of your Company record their sincere appreciation of the dedication and commitment of all employees in achieving and sustaining excellence in all areas of the business. Your directors thank the Shareholders, Customers, Suppliers, Bankers and other stakeholders for their continued support during the year. Your Company's consistent growth has been made possible by the hard work, solidarity, cooperation and support of the management team. The directors of your company thank State Bank of India, Karnataka Bank Limited and Axis Bank Limited, Central/State Governments and other government agencies for their support, and look forward to their continued support in future.

Salem  
May 21, 2016

For and on behalf of the Board  
**R. Selvarajan**  
Chairman and Managing Director

**Annexure - 1**

**(i) Directors' Responsibility Statement as per section 134(5) of the Companies Act, 2013**

Pursuant to the requirement of Section 134(5) of the Act, and based on the representations received from the management, the directors hereby confirm that:

- i. in the preparation of the annual accounts for the financial year 2015-16, the applicable accounting standards have been followed and there are no material departures;
- ii. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial year;
- iii. they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis;
- v. they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating properly; and
- vi. they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.





## Annexure - 2

## (ii) Conservation of energy, technology absorption and research and development and foreign exchange earnings and outgo

## A. Conservation of energy

## (a) Power and fuel consumption

## 1. Electricity

		2015-16	2014-15
(i) Purchased units*	'000 KWH	22385	21804
Total cost	Rs. Lakhs	1788	1898
Cost/unit	Rs.	7.98	8.70

\*net of units generated through wind energy converters

## (ii) Own generation

1) Through diesel generator			
Generated units	'000 KWH	322	811
Units per litre of diesel	KWH	3.21	3.34
Cost/unit	Rs.	14.52	16.08

2) Through steam turbine/generator		—	—
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3) Through Wind energy converters	'000 KWH	11089	15734
Generated units (fed to TNEB Grid)			
Cost/unit	Rs.	3.01	3.28

\*Cost includes maintenance charges, interest and depreciation

2. Coal		—	—
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3. Furnace oil		—	—
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4. Others		—	—
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## b) Consumption per unit of production

Production (Yarn)	Kgs. Lakhs	81.14	93.58
Consumption of electricity	'000 KWH	33796	38349
Consumption Per kg. of Yarn	KWH	4.16	4.10

## B. Technology absorption and research and development

## C. Foreign exchange earnings and outgo

(a) Active relating to exports Yarn exports (including merchandise exports)	Rs. Lakhs	7723.70	12930.20
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## (b) Total Foreign exchange used and earned

1) CIF value of Imports			
Spares for Capital goods*	Rs. Lakhs	41.78	3.35
Raw materials (cotton)*	Rs. Lakhs	73.27	1171.39

\*exclusive of net exchange difference

2) Other expenditure in foreign Currency			
Interest	Rs. Lakhs	—	0.61
Other matters	Rs. Lakhs	—	7.84

3) Foreign exchange earned			
Yarn export	Rs. Lakhs	179.14	223.83

**FORM AOC - 1**

Annexure - 3

**PART "A": SUBSIDIARIES**

Not Applicable since the Company does not have any subsidiary.

**PART "B": ASSOCIATES**

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies.

Sl. No.	Name of Associate	SPMM Healthcare Services Private Limited
1.	Latest audited Balance Sheet Date	31-03-2016
2.	Shares of Associate held by the Company on the year end: Number of Shares Amount of Investment in Associates Extend of Holding %	20,00,000 Rs. 2,00,00,000 50%
3.	Description of how there is significant influence	Associate Company
4.	Reason why the associate / joint venture is not consolidated	Not Applicable since associate company accounts has been consolidated.
5.	Networth attributable to Shareholding as per latest audited Balance Sheet	Rs. 94.62 lakhs
6.	Profit for the year	Rs. 47.30 lakhs
	Profit attributable to the Shareholding	Rs. 23.65 lakhs

- Names of associates or joint ventures which are yet to commence operations: NIL
- Names of associates or joint ventures which have been liquidated or sold during the year: NIL
- The Company does not have any joint venture.

For and on behalf of the Board

Salem, May 21, 2016

<b>R. Selvarajan</b> Chairman and Managing Director DIN : 00001703	<b>S. Devarajan</b> Director DIN : 0001910	<b>J. Asifa</b> Company Secretary	<b>S. Vijay Shankar</b> Chief Financial Officer
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**Form No. AOC-2**

Annexure - 4

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

**Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto**

- Details of contracts or arrangements or transactions not at arm's length basis : **NIL**
- Details of material contracts or arrangement or transactions at arm's length basis : **NIL**

**NOTE**

All transactions entered by the Company with Related Parties were in the Ordinary Course of Business and at Arm's Length pricing basis. The Audit Committee granted omnibus approval for the transactions (which are repetitive in nature) and the same was reviewed by the Audit Committee and the Board of Directors. There were no materially significant transactions with Related Parties during the financial year 2015-16 which were in conflict with the interest of the Company. Hence the related party transactions of the Company for the financial year 2015-16 not fall under the purview of disclosure under Form AOC - 2. Suitable disclosures as required under AS-18 have been made in Note 3.8 of the Notes to the financial statements.

Salem  
May 21, 2016

R. Selvarajan  
Chairman and Managing Director



## FORM NO. MGT - 9

**EXTRACT OF ANNUAL RETURN  
as on the financial year ended on 31.03.2016**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies  
(Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

- i) CIN:- **L17111TZ1976PLC000762**
- ii) Registration Date : **05-05-1976**
- iii) Name of the Company : **M/s Kandagiri Spinning Mills Limited**
- iv) Category / Sub-Category of the Company: **Company having Share capital**
- v) Address of the registered office and contact details:  
**Post Box No.3, Udayapatti, Salem 636 140**
- vi) Whether listed company Yes / No : **Yes**
- vii) Name, Address and Contact details of Registrar and Transfer Agents :  
**M/s Cameo Corporate Services Limited  
'Subramanian Building' No.1, Club House Road,  
Chennai 600 002**

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product / Service*	% to total turnover of the company
1	Manufacture and Sale of Cotton Yarn	13111	100

\* - As per NIC 2008

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –**

Sl. No.	Name and Address of the Company	CIN/GLN	Holding Subsidiary / Associate	% of shares held	Applicable Section
1	SPMM HEALTHCARE SERVICES PRIVATE LIMITED	U85110TZ2003PTC010761	ASSOCIATE	50%	Sec 2(6) of Companies Act, 2013


**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
**i) Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year (01.04.2015)				No. of Shares held at the end of the year (31.03.2016)				% Change during the year
	Demat	Physi-cal	Total	% of Total Shares	Demat	Physi-cal	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual / HUF	2638452	0	2638452	68.54	2631219	0	2631219	68.36	-0.18
b) Central Govt	0	0	0	0	0	0	0	0	0
c) State Govt (s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	0	0	0	0	0	0	0	0
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
<b>Sub - Total (A) (1):-</b>	<b>2638452</b>	<b>0</b>	<b>2638452</b>	<b>68.54</b>	<b>2631219</b>	<b>0</b>	<b>2631219</b>	<b>68.36</b>	<b>-0.18</b>
<b>(2) Foreign</b>									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
b) Bodies Corp.	0	0	0	0	0	0	0	0	0
c) Bank / FI	0	0	0	0	0	0	0	0	0
d) Qualified Institution	0	0	0	0	0	0	0	0	0
e) Any Other	0	0	0	0	0	0	0	0	0
<b>Sub - Total (A) (2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total shareholding of Promoter (A) = (A) (1) + (A) (2)</b>	<b>2638452</b>	<b>0</b>	<b>2638452</b>	<b>68.54</b>	<b>2631219</b>	<b>0</b>	<b>2631219</b>	<b>68.36</b>	<b>-0.18</b>
<b>B. Public Shareholding</b>									
<b>(1) Institutions</b>									
a) Mutual Funds / UTI	0	0	0	0	0	0	0	0	0
b) Financial Institutions / Bank	0	0	0	0	0	0	0	0	0
c) Central Government / State Govt.	0	0	0	0	0	0	0	0	0
d) Venture Capital Funds.	0	0	0	0	0	0	0	0	0
e) Insurance Companies	0	0	0	0	0	0	0	0	0
f) Foreign Institutional Investors	0	0	0	0	0	0	0	0	0
g) Foreign Venture Capital Investors	0	0	0	0	0	0	0	0	0
h) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
i) Any other	0	0	0	0	0	0	0	0	0
<b>Sub - Total (B) (1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



Category of Shareholders	No. of Shares held at the beginning of the year (01.04.2015)				No. of Shares held at the end of the year (31.03.2016)				% Change during the year
	Demat	Physi-cal	Total	% of Total Shares	Demat	Physi-cal	Total	% of Total Shares	
<b>(2) Non - Institutions</b>									
a) Bodies Corporate									
i. Indian	53259	91900	145159	3.77	52584	91900	144484	3.75	-0.02
ii. Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i. Individual shareholders holding nominal share capital upto Rs. 1 lakh	401260	139405	540665	14.05	377784	134405	512189	13.31	-0.74
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	462475	0	462475	12.01	501266	0	501266	13.02	1.01
c) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
d) Any other									
Clearing Members	100	0	100	0.002	151	0	151	0.003	0.001
Hindu Undivided Families	61284	0	61284	1.59	58826	0	58826	1.53	-0.06
Non resident Indians	1115	0	1115	0.0289	1115	0	1115	0.0289	0.0000
<b>Sub - Total (B) (2):-</b>	<b>979493</b>	<b>231305</b>	<b>1210798</b>	<b>31.46</b>	<b>991726</b>	<b>226305</b>	<b>1218031</b>	<b>31.64</b>	<b>0.18</b>
<b>Total Shareholding (B) = (B) (1) + (B) (2)</b>	<b>979493</b>	<b>231305</b>	<b>1210798</b>	<b>31.46</b>	<b>991726</b>	<b>226305</b>	<b>1218031</b>	<b>31.64</b>	<b>0.18</b>
C) Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
<b>Total (A) + (B) + (C)</b>	<b>3617945</b>	<b>231305</b>	<b>3849250</b>	<b>100.00</b>	<b>3622945</b>	<b>226305</b>	<b>3849250</b>	<b>100.00</b>	<b>0</b>



ii). Shareholding of Promoters								
Sl. No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the Company	% of shares pledged/ encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged/ encumbered to total shares	
1	R SELVARAJAN	778730	20.231	– Nil –	778730	20.231	– Nil –	–
2	S VIJAY SHANKAR	409582	10.641	– Nil –	409582	10.641	– Nil –	–
3	S SIVAKUMAR	159163	4.135	– Nil –	159163	4.135	– Nil –	–
4	S SIVAKUMAR & S SWETHA	118870	3.088	– Nil –	118870	3.088	– Nil –	–
5	S DINAKARAN	116466	3.026	– Nil –	116466	3.026	– Nil –	–
6	S NIRMALA	113040	2.937	– Nil –	113040	2.937	– Nil –	–
7	S JEGARAJAN	112057	2.911	– Nil –	112057	2.911	– Nil –	–
8	S DEVARAJAN	92227	2.396	– Nil –	92227	2.396	– Nil –	–
9	M RAJAMANI	85550	2.223	– Nil –	85550	2.223	– Nil –	–
10	S SWETHA & S SIVAKUMAR	83200	2.161	– Nil –	83200	2.161	– Nil –	–
11	R SAKUNTHALA	79600	2.068	– Nil –	79600	2.068	– Nil –	–
12	R SELVARAJAN	65520	1.702	– Nil –	65520	1.702	– Nil –	–
13	R MALARSELVI	63800	1.657	– Nil –	63800	1.657	– Nil –	–
14	KALAVATHI S	59520	1.546	– Nil –	59520	1.546	– Nil –	–
15	A SARAYU	53090	1.379	– Nil –	53090	1.379	– Nil –	–
16	M RAJAMANI & R SAKUNTHALA	36517	0.949	– Nil –	36517	0.949	– Nil –	–
17	S BALAMANI	30000	0.779	– Nil –	30000	0.779	– Nil –	–
18	A CHINTHAMANI	26600	0.691	– Nil –	0	0.000	--	-0.691
19	D SARADHAMANI	25270	0.656	– Nil –	25270	0.656	– Nil –	–
20	S DEVARAJAN	17870	0.464	– Nil –	17870	0.464	– Nil –	–
21	D SENTHILNATHAN	17220	0.447	– Nil –	17220	0.447	– Nil –	–
22	SUMATHI S	17200	0.447	– Nil –	17200	0.447	– Nil –	–
23	PARAMESWARI JEGARAJAN	15300	0.397	– Nil –	15300	0.397	– Nil –	–
24	M VANAJA	15000	0.390	– Nil –	15000	0.390	– Nil –	–
25	S BHARATHI	10000	0.260	– Nil –	10000	0.260	– Nil –	–
26	R JAYANTHI	10000	0.260	– Nil –	10000	0.260	– Nil –	–
27	D MANJULA	7650	0.199	– Nil –	7650	0.199	– Nil –	–
28	S P SAMBANDAM	3770	0.098	– Nil –	3770	0.098	– Nil –	–
29	V ABHINAV	2800	0.073	– Nil –	2800	0.073	– Nil –	–
30	D SUDHARSAN	2000	0.052	– Nil –	2000	0.052	– Nil –	–
31	J SAKTHIVEL	2000	0.052	– Nil –	2000	0.052	– Nil –	–
32	S DINAKARAN	1250	0.032	– Nil –	1250	0.032	– Nil –	–
33	S JEGARAJAN	1250	0.032	– Nil –	1250	0.032	– Nil –	–
34	J RAMYA	1170	0.030	– Nil –	1170	0.030	– Nil –	–
35	D ANUPAMA	1170	0.030	– Nil –	1170	0.030	– Nil –	–
36	D MINUSAKTHIPRIYA	1000	0.026	– Nil –	1000	0.026	– Nil –	–
37	D NIRANJANKUMAR	1000	0.026	– Nil –	1000	0.026	– Nil –	–
38	RATHIPRIYA D	1000	0.026	– Nil –	1000	0.026	– Nil –	–
39	V VALARNILA	1000	0.026	– Nil –	1000	0.026	– Nil –	–
40	S SWETHA	0	0.000	– Nil –	19367	0.053	– Nil –	0.503
		<b>2638452</b>	<b>68.545</b>	–	<b>2631219</b>	<b>68.357</b>	–	<b>-0.188</b>


**iii). Change in Promoters' Shareholding (please specify, if there is no change)**

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year <b>01-04-2015</b>	26,38,452	68.54%	2,638,452	68.54%
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc..)				
	<b>01-04-2015</b> (Transfer from other category) <b>S.Swetha</b>	<b>(+) 19,367</b>	<b>(+) 0.50%</b>	2657819	69.04%
	<b>05-06-2015</b> (Sale) <b>A. CHINTHAMANI</b>	<b>(-) 3</b>	<b>(-) 0.00%</b>	2657816	69.04%
	<b>12-06-2015</b> (Sale) <b>A. CHINTHAMANI</b>	<b>(-) 26,597</b>	<b>(-) 0.68%</b>	2631219	68.36%
	At the End of the year <b>31-03-2016</b>	<b>2,638,452</b>	<b>68.36%</b>	<b>2,638,452</b>	<b>68.36%</b>

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

Sl. No.	For Each of the Top 10 Shareholders	Date of change	Shareholding at the beginning of the year 01-04-2015		Cumulative Shareholding during the year		Shareholding at the end of the year 31-03-2016	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	MALLUR SIDDESWARA SPG MILLS LIMITED	-	90000	2.3381	90000	2.3381	90000	2.3381
2	SANGITA KUMARPAL PAREKH JT1 : KUMARPAL MANSUKHLAL PAREKH	-	77224	2.0062	77224	2.0062	77224	2.0062
3	VINODCHANDRA MANSUKHLAL PAREKH JT1 : SANJEEV VINODCHANDRA PAREKH	-	78373	2.0361	78373	2.0361	78373	2.0361
4	DAKSHA SANJEEV PAREKH JT1 : SANJEEV VINODCHANDRA PAREKH	-	46258	1.2017	46258	1.2017	46258	1.2017
5	PUSHPA MANSUKHLAL PAREKH JT1 : SANJEEV VINODCHANDRA PAREKH	-	36909	0.9589	36909	0.9589	36909	0.9589
6	PRANAV KUMARPAL PAREKH JT1 : SANJEEV VINODCHANDRA PAREKH	-	35585	0.9245	35585	0.9245	35585	0.9245
7	SANJEEV VINODCHANDRA PAREKH JT1 : DAKSHA SANJEEV PAREKH	-	34095	0.8858	-	-	-	-
	SANJEEV VINODCHANDRA PAREKH JT1 : DAKSHA SANJEEV PAREKH <b>(PURCHASE OF 19883 SHARES)</b>	23-10-2015	-	-	53978	1.4022	53978	1.4022
8	CHANDRIKA VINODCHANDRA PAREKH JT1 : VINODCHANDRA MANSUKHLAL PAREKH	-	33064	0.8590	33064	0.8590	33064	0.8590
9	KUMARPAL MANSUKHLAL PAREKH JT1 : SANJEEV VINODCHANDRA PAREKH	-	31204	0.8106	31204	0.8106	31204	0.8106
10	GAGANDEEP CREDIT CAPITAL PVT LTD	-	27870	0.7240	27870	0.7240	27870	0.7240
11.	JITENDRA MANSUKHLAL PAREKH JT1 : SANJEEV VINODCHANDRA PAREKH <b>(PURCHASE OF 14000 SHARES)</b>	12-06-2015	-	-	29615	0.7693	29615	0.7693


**V). Shareholding of Directors and Key Managerial Personnel:**

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year 01-04-2015		Cumulative Shareholding during the year		Shareholding at the end of the year 31-03-2016	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
1	Sri R. Selvarajan (Chairman and Managing Director)	778730	20.2307	778730	20.2307	778730	20.2307
2	Sri S. Vijay Shankar (Chief Financial Officer and Director)	409582	10.6406	409582	10.6406	409582	10.6406
3	Sri S. Devarajan (Non- Executive Director)	92227	2.3960	92227	2.3960	92227	2.3960
4	Dr. A. Sarayu (Non- Executive Director)	53090	1.3792	53090	1.3792	53090	1.3792
5	Sri M. Rajamani (Non- Executive Director)	122067	3.1712	122067	3.1712	122067	3.1712
6	Dr. V. Gopalan (Non- Executive Independent Director)	0	0.0000	0	0.0000	0	0.0000
7	Sri. P.S. Ananthanarayanan (Non- Executive Independent Director)	0	0.0000	0	0.0000	0	0.0000
8	Sri. N. Asoka (Non- Executive Independent Director)	0	0.0000	0	0.0000	0	0.0000
9	Sri S. Gnanasekharan (Non- Executive Independent Director)	0	0.0000	0	0.0000	0	0.0000
10	Sri Kameshwar M. Bhat (Non- Executive Independent Director)	0	0.0000	0	0.0000	0	0.0000
11	Ms. J. Asifa (Company Secretary)	0	0.0000	0	0.0000	0	0.0000
	<b>Total</b>	<b>1455696</b>	<b>37.8177</b>	<b>1455696</b>	<b>37.8177</b>	<b>1455696</b>	<b>37.8177</b>



**V. INDEBTEDNESS**

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposit	Total Indebted ness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	7685.81	698.63	255.87	8640.31
ii) Interest due but not paid	63.02	—	—	63.02
iii) Interest accrued but not due	9.65	—	—	9.65
<b>Total (i+ii+iii)</b>	<b>7758.48</b>	<b>698.63</b>	<b>255.87</b>	<b>8712.98</b>
<b>Change in Indebtedness during the financial year</b>				
· Addition	1517.08	518.50	63.49	2102.07
· Reduction	1771.84	30.00	240.97	2045.81
<b>Net Change</b>	<b>(-) 254.76</b>	<b>488.50</b>	<b>(-) 177.48</b>	<b>(-) 56.26</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	7430.27	1187.13	78.39	8695.79
ii) Interest due but not paid	71.21	—	—	71.21
iii) Interest accrued but not due	2.24	—	—	2.24
<b>Total (i+ii+iii)</b>	<b>7503.72</b>	<b>1187.13</b>	<b>78.39</b>	<b>8769.24</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

Sl. No.	Particulars of Remuneration	Sri R. Selvarajan (Chairman and Managing Director)	Total Amount
1.	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	Rs. 21,60,000/-	Rs. 21,60,000/-
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	Rs. 14,40,000/-	Rs. 14,40,000/-
	(c) Profits in lieu of salary under section 17(3) of Income-tax Act, 1961	Nil	Nil
2.	Stock Option	Nil	Nil
3.	Sweat Equity	Nil	Nil
4.	Commission		
	- as % of profit	Nil	Nil
	- others, specify	Nil	Nil
5.	Others, please specify	Nil	Nil
	<b>Total (A)</b>	<b>Rs. 36,00,000/-</b>	<b>Rs. 36,00,000/-</b>
	Ceiling as per the Act (As per Schedule V of the Act)	Rs. 42,00,000/-	Rs. 42,00,000/-

**B. Remuneration to other directors:**

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount
		Dr. V.Gopalan	Sri.P.S.Anantha narayanan	Sri. N.Asoka	Sri. S.Gnana sekharan	Sri. Kameshwar M Bhat	
	<b>3. Independent Directors</b>						
	Fee for attending Audit committee meeting	Rs. 1,50,000/-	Rs. 1,50,000/-	Rs. 1,50,000/-	Rs. 1,50,000/-	Rs. 1,50,000/-	Rs. 7,50,000/-
	Fee for attending Nomination and Remuneration committee meeting	Rs. 15,000/-	Rs. 15,000/-	Rs. 15,000/-	-	-	Rs. 45,000/-
	Fee for attending Separate Independent Director Meeting	Rs. 25,000/-	Rs. 25,000/-	Rs. 25,000/-	Rs. 25,000/-	Rs. 25,000/-	Rs. 1,25,000/-
	Fee for attending Board Meeting:	Rs. 75,000/-	Rs. 75,000/-	Rs. 75,000/-	Rs. 75,000/-	Rs. 75,000/-	Rs. 3,75,000/-
	Commission	Nil	Nil	Nil	Nil	Nil	Nil
	Others	Nil	Nil	Nil	Nil	Nil	Nil
	<b>Total (1)</b>	<b>Rs. 2,65,000/-</b>	<b>Rs. 2,65,000/-</b>	<b>Rs. 2,65,000/-</b>	<b>Rs. 2,50,000/-</b>	<b>Rs. 2,50,000/-</b>	<b>Rs.12,95,000/-</b>
	<b>4. Other Non-Executive Directors</b>		<b>Sri. S.Devarajan</b>	<b>Dr. A.Sarayu</b>	<b>Sri. M. Rajamani</b>	<b>Sri. S. Vijay Shankar*</b>	<b>Total Amount</b>
	Fee for attending Audit Committee meeting		Rs. 1,50,000/-	-	-	-	Rs. 1,50,000/-
	Fee for attending Board meeting		Rs. 75,000/-	Rs. 60,000/-	Rs. 60,000/-	Nil	Rs. 1,95,000/-
	Commission		Nil	Nil	Nil	Nil	Nil
	Others		Nil	Nil	Nil	Nil	Nil
	<b>Total (2)</b>		<b>Rs. 2,25,000/-</b>	<b>Rs. 60,000/-</b>	<b>Rs. 60,000/-</b>	<b>Nil</b>	<b>Rs. 3,45,000/-</b>
	<b>Total (B) = (1+2)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Rs.16,40,000/-</b>
	Total Managerial Remuneration		Nil	Nil	Nil	Nil	Nil
	Overall Ceiling as per the Act		Rs.1 lakh per meeting	Rs.1 lakh per meeting	Rs.1 lakh per meeting	Rs.1 lakh per meeting	

\* Sri S. Vijay Shankar did not receive any sitting fees in his capacity as non-executive director but only receives remuneration in the capacity of CFO.

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		Chief Financial Officer	Company Secretary	Total
		Sri S.Vijay Shankar	Ms. J. Asifa	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	Rs. 30,00,000	Rs. 4,00,200	Rs. 34,00,200
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	Nil	Nil	Nil
	(c) Profits in lieu of salary under section 17(3) of Income-tax Act, 1961	Nil	Nil	Nil
2.	Stock Option	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil
4.	Commission - as % of profit - others, specify...	Nil	Nil	Nil
5.	Others, please specify	Nil	Nil	Nil
	<b>Total</b>	<b>Rs. 30,00,000</b>	<b>Rs. 4,00,200</b>	<b>Rs. 34,00,200</b>

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any
<b>A. COMPANY</b>					
Penalty Punishment Compounding			-----None-----		
<b>B. DIRECTORS</b>					
Penalty Punishment Compounding			-----None-----		
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty Punishment Compounding			-----None-----		



**Annexure - 6**

B.K.SUNDARAM & ASSOCIATES  
COMPANY SECRETARIES.

B.KALYANASUNDARAM,  
B.Com., AICWA., ACS.,

OFFICE :  
30, PANDAMANGALAM AGRAHARAM,  
WORIUR, TRICHY-620003.  
PHONE:0431-2761590.

**FORM NO. MR-3  
SECRETARIAL AUDIT REPORT**

**FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members

**M/S KANDAGIRI SPINNING MILLS LIMITED**

MILL PREMISES, POST BAG NO.3, UDAYAPATTI P.O., SALEM-636140

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/S Kandagiri Spinning Mills Limited, Salem-636140 (hereinafter called "the Company").

Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by M/S Kandagiri Spinning Mills Limited (the Company) and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by "the Company" for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made thereunder read with the Secretarial Standards with respect to the meetings of the Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India.
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;



We have also examined compliance with the applicable clauses of the 'The Listing Agreement' entered into by the Company with BSE Limited and fresh Listing Agreement entered into by the Company with BSE Limited as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

During the year under report, the Company did not attract the provisions of :

- (i) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings ;
- (ii) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (b) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (d) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (e) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.

**We further report that :**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice with agenda items supported by detailed notes thereon is given to all Directors to schedule the Board Meetings and Committee meetings and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meetings and for meaningful participation at the meetings.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes. But there were no dissenting views during the year under report.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable Laws, Rules, Regulations and Guidelines.

**We further report that** during the audit period the Company had no specific events / actions having a major bearing on the Company's affairs in pursuance of the above referred Laws, Rules, Regulations, Guidelines, Standards, etc., referred to above.

FOR **B.K. SUNDARAM & ASSOCIATES**  
COMPANY SECRETARIES

Place : Trichy  
Date : 19.05.2016

**(B.KALYANASUNDARAM)**  
COMPANY SECRETARY  
ACS NO. A672. CP. NO. 2209

Note : This report has to be read along with the Annexure which forms an integral part of this report.



B.K.SUNDARAM & ASSOCIATES  
COMPANY SECRETARIES.

B.KALYANASUNDARAM,  
B.Com., AICWA., ACS.,

OFFICE :  
30, PANDAMANGALAM AGRAHARAM,  
WORIUR, TRICHY-620003.  
PHONE:0431-2761590.

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**ANNEXURE TO SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

**OF**

**M/S KANDAGIRI SPINNING MILLS LIMITED**

1. Maintenance of secretarial records with reference to the provisions of the Companies Act,2013 & the Rules thereunder and the maintenance of records with reference to other applicable laws is the responsibility of the management of the Company. Our responsibility is to express an opinion based on our audit.
2. We have followed the audit practices and procedures as were appropriate to obtain reasonable assurance about the correctness of the contents of the records. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our Secretarial Audit. The verifications were done on a random test basis to ensure that correctness of the facts reflected in the records.
3. We have obtained the Management representation about the compliance of Laws, Rules and Regulations and occurrence of events. As per the Management representation given by the Chairman and Managing Director there is no law exclusively applicable for this Company or to the spinning mills under the Textile Industry other than all Laws applicable for Manufacturing Industries and hence there is no report to be given therefor.

**FOR B.K. SUNDARAM & ASSOCIATES**  
COMPANY SECRETARIES

Place : Trichy  
Date : 19.05.2016

**(B.KALYANASUNDARAM)**  
COMPANY SECRETARY  
ACS NO. A672. CP. NO. 2209



**FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT** Annexure - 7

- 1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.**

The Company has formulated a Corporate Social Responsibility (CSR) Policy stated in the link mentioned below pursuant to Section 135 of the Companies Act, 2013 and Notification dated 27th February, 2014 issued by the Ministry of Corporate Affairs under the said Section. The policy is framed for undertaking activities as may be found beneficial and feasible for betterment of critical social, environmental and economic development of the weaker sections of the society, preferably locally, nearer to the factory sites of the Company. This CSR Policy relates to the activities to be undertaken by the Company as specified in Schedule VII of the Act and the expenditure thereon and focuses on addressing critical social, environmental and economic needs of marginalized / underprivileged sections of the society.

CSR Policy can be perused on the web-link- <http://www.kandagirimills.com/investors/ksml2015-csr.pdf>

- 2. The Composition of the CSR Committee.**

<b>CHAIRMAN</b>	: Sri R. Selvarajan	- Chairman and Managing director
<b>MEMBERS</b>	: Sri S. Vijay Shankar	- Chief Financial Officer & director
	: Sri S. Devarajan	- Non- Executive Director
	: Dr. V. Gopalan	- Independent Director

- 3. Average net profit of the Company for last three financial years : Rs 596.87 lakhs**
- 4. Prescribed CSR Expenditure (two per cent. Of the amount as in item above) : Rs. 11.94 lakhs**
- 5. Details of CSR spent during the financial year**
- (a) Total amount to be spent for the financial year; Rs. 11.94 lakhs
- (b) Amount unspent; if any: Rs. 10.29 lakhs
- (c) Manner in which the amount spent during the financial year is detailed below.

1	2	3	4	5	6	7	8
Sl. No.	CSR project or activity identified	Sector in which the Project is Covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads; (1) Direct Expenditure on projects or programs. (2) Overheads:	Cumulative expenditure up to the reporting period.	Amount spent: Direct or through implementing agency #
1.	Promoting education for the differently abled	Item No. 2 of Schedule VII of Companies Act, 2013	Salem District, Tamil Nadu	Rs. 1.65 lakhs	Rs. 1.65 lakhs	Rs. 1.65 lakhs	Rs. 1.65 lakhs

# Payment made to Tamilnadu Association for the Blind.

- 6. In case the Company has failed to spend the two per cent, of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report:**

Since the Company has incurred loss of Rs. 1134 lakhs during the FY 2015-16, Company was not able to discharge the total CSR obligation of Rs. 11.94 lakhs and has spent only Rs. 1.65 lakhs towards CSR obligation.

- 7. CSR Committee affirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.**

Salem  
May 21, 2016

R. Selvarajan  
Chairman – CSR Committee



## Annexure - 8

**PARTICULARS OF REMUNERATION**

The information required under Section 197 of the Act and the Rules made there-under, in respect of employees of the Company is as follows:-

(a) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;

NON EXECUTIVE DIRECTORS *	RATIO TO MEDIAN REMUNERATION
Sri S. Devarajan	—
Sri S. Sivakumar	—
Dr .A. Sarayu	—
Sri M.Rajamani	—
Sri P. S. Ananthanarayanan	—
Dr. V. Gopalan	—
Sri N. Asoka	—
Sri. S. Gnanasekharan	—
Sri Kameshwar M Bhat	—
Sri S. Vijay Shankar#	—
<b>EXECUTIVE DIRECTOR</b>	
SRI R. SELVARAJAN, CMD	29.82

(b) percentage increase in remuneration of each director, CMD, CFO and Company Secretary

NON EXECUTIVE DIRECTORS *	% Increase in Remuneration
Sri S. Devarajan	—
Sri S. Sivakumar	—
Dr .A. Sarayu	—
Sri M.Rajamani	—
Sri P. S. Ananthanarayanan	—
Dr. V. Gopalan	—
Sri N. Asoka	—
Sri. S. Gnanasekharan	—
Sri Kameshwar M Bhat	—
<b>EXECUTIVE DIRECTOR</b>	
Sri R. Selvarajan, CMD	Nil
<b>CHIEF FINANCIAL OFFICER</b>	
Sri S. Vijay Shankar	Nil
<b>COMPANY SECRETARY</b>	
Ms. J. Asifa	40%

\* Non – Executive directors don't receive commission, or any other fees etc except sitting fees for attending board / committee meetings.

# Sri S. Vijay Shankar resigned from the post of Joint Managing Director and continued as Non-Executive Director and designated as Chief Financial Officer with effect from 01.04.2014. Sri S. Vijay Shankar did not receive any sitting fees in his capacity as non-executive director but only receives remuneration in the capacity of CFO.

(c) percentage increase in median remuneration of the employees during the financial year : NIL

(d) the number of permanent employees on the rolls of the company : 553





**(e) the explanation on the relationship between average increase in remuneration and company Performance**

In order to ensure that remuneration reflects company performance, the performance pay is linked to organization performance. In view of the loss incurred by the Company, there was no increase in employee remuneration during the year.

**(f) Comparison of the remuneration of the KMP against the performance of the Company**

Particulars	Rs in Lakhs
Remuneration of Key Managerial Personnel (KMP) during financial year 2014-15 (aggregated)	70.00
Revenue from operations	14473
Remuneration (as % of revenue)	0.48%
Profit Before Tax	-1134
Remuneration (as % of PBT)	-6.17%

**(g) variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year**

Particulars	Unit	As on 31.03.2016	As on 31.03.2015	Variation
Closing rate of share at BSE	Rs.	49.55	53.65	(7.64%)
EPS (Consolidated)	Rs.	-29.46	4.04	(829.21%)
Market Capitalization	Rs. in Lakhs	19113.41	20694.95	(7.64%)
Price Earnings ratio	Ratio	-1.68	13.28	(112.65%)

Percentage in bracket represents negative percentage

**(h) Percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer**

Particulars	Unit	As on 31.03.2016	IPO Price (1995)	Variation
Closing rate of share at BSE	Rs.	49.55	50 (Issue Price-10) Premium - 40)	(0.9%)

**(i) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration**

In view of the unsatisfactory financial performance of the Company, CMD and CFO had forgone their increased salary which was approved by the members at the last AGM held on 27.09.2015 and only received the previous salary. Hence there is no increase in managerial remuneration during the year 2015-16.

**(j) Comparison of each remuneration of the Key Managerial Personnel against the performance of the Company**

Particulars	Chairman and Managing Director Rs. in Lakhs	Chief Financial Officer Rs. in Lakhs	Company Secretary Rs. in Lakhs
Remuneration	36.00	30.00	4.00
Revenue	14473.00	14473.00	14473.00
Remuneration (as % of revenue)	0.25%	0.20%	0.03%
Profit Before Tax (PBT)	-1134.00	-1134.00	226.67
Remuneration (as % of PBT)	-3.17%	-2.65%	-0.35%



(k) **Key parameters for any variable component of remuneration availed by the directors :**  
Not Applicable

(l) **Ratio of remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year :**  
Not applicable

(m) **Affirmation that the remuneration is as per the remuneration policy of the Company**

The Company's remuneration policy is driven by the success and performance of the individual employees and the Company. Through its compensation package, the Company endeavours to attract, retain, develop and motivate a high performance staff. Individual performance pay is determined by business performance and the performance of the individuals measured through the annual appraisal process and the Company affirms remuneration is as per the remuneration policy of the Company

Annexure - 9

### CEO/CFO CERTIFICATION

To  
The Board of Directors,  
Kandagiri Spinning Mills Limited  
Salem

We, R. Selvarajan, Chairman and Managing Director and S. Vijay Shankar, Chief Financial Officer and Director of Kandagiri Spinning Mills Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the financial statements for the year and that to the best of our knowledge and belief:
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - b) these statements present a true and fair view of the state of affairs of the Company and of the results of operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing Generally Accepted Accounting Principles including Accounting Standards.
2. These are to the best of our knowledge and belief, no transactions entered into by the Company during the year that are fraudulent, illegal or violative of the Company's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the listed entity pertaining to financial reporting and have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken to rectify these deficiencies.
4. We have indicated to the Auditors and to the Audit Committee:
  - a) Significant changes in internal control over financial reporting during the year.
  - b) Significant changes in accounting policies during the year.
  - c) Instances of significant fraud of which have become aware and which involve management or other employees who have significant role in the Company's Internal control system over financial reporting. However, there was no such instance.

Salem  
21.05.2016

R.Selvarajan  
Chairman and Managing Director

S. Vijay Shankar  
Chief Financial Officer

**REPORT ON CORPORATE GOVERNANCE**

(Pursuant to Schedule V of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015)

**1. COMPANY'S PHILOSOPHY OF CODE OF GOVERNANCE**

Company's philosophy on corporate governance is delineated below:

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

**2. BOARD OF DIRECTORS****(a) Composition of the Board**

As on March 31, 2016 Your Company's Board comprises of 10 Directors (out of which 50% of the Directors are Independent Directors). The Board is primarily responsible for the overall management of the Company's business. The Directors on the Board are from varied fields with wide range of skills and experience. The non-executive directors including Independent Directors bring statutory and wider perspective in the Board's deliberations and decisions. The composition of the Board of Directors with their attendance at the Board Meetings held during the year and other relevant details as required under Schedule V of SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 are as follows:

Name of the Director	Categories of Director	No. of Board meetings attended	Whether attended last AGM	No. of directorship (including Sambandam Spinning Mills Limited)	No. of Membership of board committee (including Sambandam Spinning Mills Limited) (**)	Relationship with other directors	No. of equity shares held (*)
Sri R.Selvarajan	Executive (Promoter)	5 of 5	Yes	6	1	Relative of Sri S.Vijay Shankar and Dr. A.Sarayu	7,78,730
Sri S.Vijay Shankar	Non - Executive (Promoter)	5 of 5	Yes	2	1	Relative of Sri R.Selvarajan and Dr. A.Sarayu	4,09,582
Sri S.Devarajan	Non - Executive (Promoter)	5 of 5	Yes	8	1	Nil	92,227
Dr. A.Sarayu	Non - Executive (Promoter)	4 of 5	Yes	1	-	Relative of Sri R.Selvarajan and S.Vijay Shankar	53,090
Sri M.Rajamani	Non - Executive (Promoter)	4 of 5	Yes	2	-	Nil	1,22,067
Sri P.S.Anantha Narayanan	Non - Executive (Independent)	5 of 5	Yes	2	2	Nil	Nil
Dr. V.Gopalan	Non - Executive (Independent)	5 of 5	Yes	3	2	Nil	Nil
Sri N.Asoka	Non - Executive (Independent)	5 of 5	Yes	3	4	Nil	Nil
Sri S.Gnanasekharan	Non - Executive (Independent)	5 of 5	Yes	2	2	Nil	Nil
Sri Kameshwar M. Bhat	Non - Executive (Independent)	5 of 5	Yes	2	2	Nil	Nil



Note : \* There are no convertible instruments in our Company.  
\*\* Only membership of Audit Committee and Stakeholders Relationship Committee as per reg. 26(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 considered.

During the year under review, none of the Directors of the Company was a member of more than 10 specified Committees or Chairman of more than 5 such Committees in companies in which he/she as a Director. Your Company's Directors promptly notify any change(s) in the committee positions as and when they take place.

Board fulfills the key functions as prescribed under Clause 49 of the Listing Agreement / provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Details of the Director seeking re-appointment at the ensuing Annual General Meeting have been furnished in the Notice convening the Meeting of the shareholders.

**(b) Board Meetings**

The Board of Directors met five times during the year and the time gap between any two meetings did not exceed 120 days. Board meetings were held on May 28, 2015, August 12, 2015, October 29, 2015, February 8, 2016 and February 22, 2016.

**(c) Independent Directors**

Your Company appointed Independent Directors who are renowned people having expertise/experience in their respective field/profession. None of the Independent Directors is a promoter or related to the promoters. They do not have any pecuniary relationship with the Company and further they do not hold two percent or more of the total voting power of the Company. All Independent Directors maintain their limits of directorship as required under Clause 49 of the Listing Agreement/ provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has issued a formal letter of appointment to all Independent Directors and the terms and conditions of their appointment have been disclosed in the website of the Company. All the Independent Directors of the Company at the time of their first appointment to the Board and thereafter at the first meeting of the Board in every financial year give a declaration that they meet the criteria of independence as provided under the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Details about the familiarisation programme of the Independent directors had been uploaded in the website of the Company under the web-link: <http://www.kandagirimills.com/investors/fpofid.pdf>

**Separate Meeting of the Independent Directors**

As required by Clause 49 of Listing Agreement / SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting was held on 26.05.2015 during the year. All five Independent Directors attended the same. The Independent Directors discussed / review the matters specified in Clause 49 of the Listing Agreement / Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**3. AUDIT COMMITTEE**

**(a) Brief description of terms of reference**

The Audit Committee assists the Board in its responsibility of overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliance with the legal and regulatory requirements. The Committee's purpose is to oversee the accounting and financial process of the Company, the audits of the Company's financial statements, the appointment, independence, performance and remuneration of the statutory auditors including the Cost auditors, the performance of internal auditors and the Company's risk management policies. The terms of reference of Audit Committee cover the areas mentioned under Part C of Schedule II of the SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015 as well as Section 177 of the Companies Act, 2013.

**(b) Composition**

Audit Committee comprises of Dr. V. Gopalan, Independent Director as Chairman, Independent Directors Sri P.S. Ananthanarayanan, Sri S. Gnanasekharan, Sri N. Asoka, Sri Kameshwar M. Bhat and Non-Executive Director Sri S. Devarajan as Members. All members of the Audit Committee are financially literate and have expertise in accounting/financial management. The Managing Director, Chief Financial Officer, Internal Auditor and Statutory Auditors attended meetings of the Committee as invitees. Ms J. Asifa, Company Secretary is the Secretary to the committee

**(c) Meetings and Attendance**

The Audit Committee met six times during the year and the time gap between any two meetings did not exceed more than four months. Audit Committee meetings were held on May 8, 2015, May 27, 2015, August 11, 2015, October 28, 2015, February 7, 2016 and February 22, 2016. Attendance at the Audit Committee meetings held during the year is as follows:

Name of the Director	Position	No. of Meetings attended
Dr. V. Gopalan	Chairman	6 of 6
Sri P.S. Ananthanarayanan	Member	6 of 6
Sri N. Asoka	Member	6 of 6
Sri S. Gnanasekharan	Member	6 of 6
Sri Kameshwar M. Bhat	Member	6 of 6
Sri S. Devarajan	Member	6 of 6

**4. NOMINATION AND REMUNERATION COMMITTEE****(a) Brief description of terms of reference**

The Nomination and Remuneration Committee assist the Board in overseeing the method, criteria and quantum of compensation for directors and senior management based on their performance and defined assessment criteria. The Committee formulates the criteria for evaluation of the performance of Independent Directors & the Board of Directors; identifying the persons who are qualified to become directors, and who may be appointed in senior management and recommend to the Board their appointment and removal. The terms of the reference of Nomination and Remuneration Committee covers the areas mentioned under Part D of Schedule II of SEBI (Listing Obligation and Disclosure Requirement) Regulation 2015 as well as section 178 of the Companies Act, 2013.

**(b) Composition**

The Nomination and Remuneration Committee comprises of Sri P.S. Ananthanarayanan, Independent Director as Chairman, Dr. V. Gopalan and Sri N. Asoka, Independent Directors as Members.

**(c) Meetings and Attendance**

During the year one Nomination and Remuneration Committee Meeting was held on 26.05.2015. Attendance at the Nomination and Remuneration Committee meeting held during the year is as follows:

Name of the Director	Position	No. of Meetings attended
Sri P.S. Ananthanarayanan	Chairman	1 of 1
Dr. V. Gopalan	Member	1 of 1
Sri N. Asoka	Member	1 of 1

**(d) Performance Evaluation criteria for Independent directors**

- ◆ Attendance and active participation in Board, Committees and General Meetings
- ◆ Qualification, Knowledge, Skills and Expertise
- ◆ Updation of skills and knowledge
- ◆ Participation in familiarization programmes
- ◆ Independent and unbiased opinion
- ◆ Informed and balanced decision making



- ◆ Leadership qualities
- ◆ Safeguarding Stakeholders interest
- ◆ Compliance with Articles of Association, Companies Act, 2013 and other laws and regulations
- ◆ Compliance with ethical standards , Corporate governance practices and code of conduct of the Company
- ◆ Review of integrity of financial information and risk management
- ◆ Active participation in determination of remuneration of directors, KMPs and other senior management
- ◆ Reporting of frauds, violation etc
- ◆ Safeguard of confidential information
- ◆ Information about the Company and the external environment in which it operates
- ◆ Reviewing vigil mechanism and safeguarding interest of whistle blowers
- ◆ Effective participation in the deliberations of related party transactions
- ◆ Seek expert opinion if required
- ◆ Moderates and arbitrates conflicts of interest between Stakeholder and Management in the interest of the Company as a whole.

**5. REMUNERATION OF DIRECTORS**

(a) There was no pecuniary relationship or transaction between the Non-Executive Directors and the company during the financial year 2015-2016.

**(b) Criteria of making payments to Non-Executive Directors**

- ◆ Remuneration by way of Sitting fee may be paid to Non-Executive/ Independent Directors for attending meetings of the Board of Directors and Committee meetings in which he/she is a member (excluding those committee meetings viz., CSR Committee, Stakeholders' Relationship Committee, Share Transfer Committee and Finance Committee for which no sitting fees is paid) as may be decided by the Board from time to time and for any other purpose as may be decided by the Board from time to time in accordance with the ceiling limits prescribed under the Applicable Law.
- ◆ The Independent Directors shall not be entitled to any stock option.
- ◆ The sitting fee to the Independent Directors & Woman Director shall not be less than the sitting fee payable to other directors.

The above referred criteria have been disclosed in the website of the Company under the web-link: <http://www.kandagirimills.com/investors/ksml2015-nrp.pdf>

**(c) Disclosures with respect to remuneration**

Non-executive Directors are entitled to a Sitting Fee for attending each meeting of the Board or any Committee(s) of the Board. Details of payment of Sitting Fee for the year 2015-16 are as follows.

Name of the Director	Sitting fees (#) Rs.
Sri R. Selvarajan	–
Sri S. Vijay Shankar	–
Sri S. Devarajan	2,25,000
Sri M.Rajamani	60,000
Dr. A. Sarayu	60,000
Sri P.S. Ananthanarayanan	2,65,000
Dr. V. Gopalan	2,65,000
Sri N. Asoka	2,65,000
Sri S. Gnanasekharan	2,50,000
Sri Kameshwar M Bhat	2,50,000



**Details of Remuneration to Managing Director**

During the last AGM of the Company held on 27.09.2015, CMD R. Selvarajan had been reappointed for a period of three years with effect from 01.10.2015 on an increased remuneration structure as follows:

Salary: Rs. 2,40,000/- p.m.  
 Allowances & perquisites: Rs. 1,60,000/- p.m.

Due to financial constraints, CMD has forgone his increased salary and has only received the previous remuneration. Details of remuneration received by CMD R. Selvarajan during the financial year 2015-16 is as follows

Name of the Director	Salary	Perquisites	Total (Rs.)
Sri R. Selvarajan	21,60,000	14,40,000	36,00,000

**Stock Options**

The Company has no Employee Stock Options Scheme in force at present.

**6. STAKEHOLDERS' RELATIONSHIP COMMITTEE**

**(a) Composition**

Stakeholders' Relationship Committee consists of Sri N. Asoka, Independent Director as Chairman, Sri R. Selvarajan, Chairman and Managing Director and Sir S.Vijay Shankar, Chief Financial Officer and Director as Members.

The Committee considers and resolves the grievances of the security holders. The Committee also reviews the manner and time-lines of dealing with complaint letters received from all stakeholders including the Stock Exchange/ SEBI/ Ministry of Corporate Affairs etc., and the response thereto.

**(b) Compliance Officer**

Ms. J. Asifa, Company Secretary is the Compliance Officer appointed for the compliance of capital market related laws.

**(c) Investors' requests**

During the year, 60 request letters were received from investors on routine matters and all these were dealt with satisfactorily.

**(d) Complaints**

No complaints were received and no complaint was pending as on March 31, 2016.

**(e) Compliance with respect to Insider Trading**

Comprehensive guidelines advising and cautioning the management, staff and other relevant business associates on the procedure to be followed while dealing with the securities of the company have been issued and implemented.

**7. GENERAL BODY MEETINGS**

**(a) Details of location and time of last three Annual General Meetings held**

Year	Location	Date & Time
39 <sup>th</sup> AGM - 2015	Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem-636014.	September 27, 2015 at 11.45 a.m.
38 <sup>th</sup> AGM - 2014	Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem-636014.	September 28, 2014 at 11.30 a.m.
37 <sup>th</sup> AGM - 2013	Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem-636014.	August 14, 2013 at 11.30 a.m.



- (b) Special Resolutions have been passed in all the previous three Annual General Meetings held in 2013, 2014 and 2015.

**(c) Postal Ballot**

Pursuant to clause 35B of Listing Agreement, Company conducted Postal Ballot (in lieu of remote e-voting) for passing Special and ordinary resolution at the 39<sup>th</sup> Annual General Meeting held on 27-09-2015. One Special Resolution was passed through Postal Ballot at the last AGM held on 27-09-2015.

Sri B. KALYANASUNDARAM (MEMEBERSHIP NO.672) OF M/S B.K.SUNDARAM & ASSOCIATES, PRACTISING COMPANY SECRETARIES having office at No.30, Pandamangalam Agraharam, Woriur, Trichy-620003 was appointed as Scrutinizer for scrutinizing Postal Ballot/Remote E-voting / Polling voting processes.

Share holders were advised to send their assent (FOR) or dissent (AGAINST) in writing on the Postal Ballot Form enclosed with Notice and the details of the scrutinizer and the steps followed for voting through postal ballot were instructed in the postal ballot form. The Postal Ballot was conducted in a fair and transparent manner.

No Special Resolution was proposed to be passed through Postal Ballot during this year.

**8. MEANS OF COMMUNICATION**

Quarterly, half-yearly and annual financial results are communicated to the Bombay Stock Exchange at Mumbai immediately after these are considered and recommended by the Audit Committee and approved by the Board; and thereafter regularly published in national (English) business newspaper Trinity Mirror and in one vernacular (Tamil) newspaper Makkal Kural as required. Quarterly and annual financial statements and other required details in accordance with the provisions of SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 are posted on our Company's website: www.kandagirimills.com. Further, all other price sensitive and other information is sent to the Bombay Stock Exchange enabling them to display the same on their website. During the year, no presentation has been made to Institution Investors or analysts.

**9. GENERAL SHARE HOLDER INFORMATION**

**(a) Details of 40<sup>th</sup> Annual General Meeting to be held**

**Day** : Saturday  
**Date** : 6<sup>th</sup> August, 2016  
**Time** : 11:30 a.m.  
**Venue** : Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem 636 014

**(b) Financial Year** : 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016.

**(c) Dividend Payment Date** : Not Applicable since no dividend has been declared by the Company for the financial year 2015-16

**(d) Stock Exchange on which Company's shares are listed:**

The Bombay Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001  
 The Listing Fees as applicable have been paid within prescribed time period.

**(e) Stock code**

Trading Symbol at BSE Limited	(DEMAT)	521242
ISIN under Depository System (NSDL & CDSL)	Equity Shares	INE292D01019



**(f) Market Price data – Company share Price and BSE Sensex**

Month	Company Share Price		S&P BSE Sensex	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
Apr - 2015	119.00	48.35	29,094.61	26,897.54
May - 2015	79.90	60.35	28,071.16	26,423.99
Jun - 2015	83.50	54.50	27,968.75	26,307.07
Jul - 2015	79.90	68.65	28,578.33	26,307.07
Aug - 2015	84.85	72.00	28,417.59	25,298.42
Sep - 2015	84.95	65.50	26,471.82	24,833.54
Oct - 2015	74.00	61.00	27,618.14	26,168.71
Nov - 2015	78.25	70.10	26,824.30	25,451.42
Dec - 2015	84.10	65.90	26,256.42	24,867.73
Jan - 2016	82.80	61.40	26,197.27	23,839.76
Feb - 2016	68.00	38.15	25,002.32	22,494.61
Mar - 2016	49.55	40.00	25,479.62	23,133.18

**(g)** Company securities are not suspended from trading.

**(h) Registrar and Share Transfer Agents**

M/s Cameo Corporate Services Limited, Subramanian Building, No.1 Club house Road, Chennai 600 002 deal with all aspects of investor servicing relating to shares in both physical and demat form.

**(i) Share Transfer System**

The Share transfer committee has been constituted mainly to look into transfer and transmission of shares. Share transfers are effected by the Registrar and Transfer Agent (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 for confirmation. Sri R.Selvarajan, Chairman and Managing Director, chairs the meetings of the committee. Sri S. Vijay Shankar, Chief Financial Officer and Director and Sri S. Devarajan, non-executive director are the members of the committee. Ms. J. Asifa, Company Secretary is the secretary of the committee and the compliance officer. As on March 31, 2016, no share transfers/transmission was pending.

**(j) Distribution of Shareholding**

No. of Shares	Shareholders		No. of shares	
	Number	%	Number	%
10 – 5000	2847	93.28	283324	7.36
5001 – 10000	69	2.26	51934	1.35
10001 – 20000	38	1.24	53384	1.39
20001 – 30000	24	0.79	57914	1.50
30001 – 40000	16	0.52	56668	1.47
40001 – 50000	2	0.07	9270	0.24
50001 – 100000	13	0.43	103031	2.68
100001 and above	43	1.41	3233725	84.01
<b>Total</b>	<b>3052</b>	<b>100.00</b>	<b>3849250</b>	<b>100.00</b>

**Details of Shares**

Mode	No. of Shares	% to paid up Capital	No. of Holders
Physical	226305	5.88%	1065
Electronic :			
NSDL	3515310	91.32%	1417
CDSL	107635	2.80%	570
<b>Total</b>	<b>3849250</b>	<b>100.00%</b>	<b>3052</b>

**Shareholding pattern as on March 31, 2016**

Sl. No.	Category	No. of Holders	No. of Shares	% to Paid up Capital
1.	Promoters	40	26,31,219	68.36
2.	Residents (Individuals / Clearing Members)	2957	10,72,281	27.85
3.	Financial Institutions/Insurance Co./ State Govt./ Govt. Companies/ UTI	0	0	0
4.	Foreign Institutional Investors	0	0	0
5.	Non-Resident Indians / OCB / Corporate Bodies - Foreign / Bank - Foreign / Foreign Nationals / Foreign Port Folio Investor / corporate	3	1,115	0.03
6.	Corporate Bodies / Limited Liability Partnership	49	1,44,484	3.75
7.	Mutual Funds	0	0	0
8.	Trusts	0	0	0
9.	Banks	0	0	0
10.	Clearing Members	3	151	0.01
	<b>Total</b>	<b>3052</b>	<b>38,49,250</b>	<b>100.00</b>

**(k) Dematerialization of shares and liquidity**

Shares of the Company can be held and traded in electronic form. As stipulated by SEBI, the shares of the Company are accepted in the Stock Exchanges for delivery only in dematerialization form.

Status of dematerialization of shares – as on March 31, 2016

Holders	Physical		Demat		Total	
	No. of Shares	% to paid up capital	No. of Shares	% to paid up capital	No. of Shares	% to paid up capital
Promoters List	0	0	2631219	68.36%	2631219	68.45%
Others	226305	5.88%	991726	25.76%	1218031	31.46%

Your Company confirms that the entire Promoter's holdings are in electronic form and the same is in line with the direction issued by SEBI.

The equity share of the Company is regularly traded in BSE Limited

**(l) Outstanding GDRs/ ADRs/ Warrants/ Convertible instruments**

The Company has not issued Global Depository Receipts or American Depository Receipt or Warrants or any Convertible instruments.



**(m) Commodity Price Risk/ Foreign Exchange Risk and Hedging**

The Company did not engage in hedging activities.

**(n) Plant Location**

Unit – I Udayapatti P.O., Salem 636 140. Tamil Nadu.

Unit – II Seshanchavadi P.O., Salem 636 111. Tamil Nadu

Unit – III M. Perumapalayam Cross Road, Mettupatti P.O., Salem 636 111. Tamil Nadu.

**Wind energy converters**

Panangudi, Pazhavor, Udhayathoor and Parameshwarapuram villages, Radhapuram Taluk, Tirunelveli District, Tamil Nadu.

Melamaruthappapuram Village, Veerakeralam Pudur Taluk, Tirunelveli District, Tamil Nadu

Gudimangalam Village, Udumalpet Taluk, Coimbatore District, Tamil Nadu.

**(o) Address for Correspondence**

Registrar & Share Transfer Agents : M/s Cameo Corporate Services Limited  
Subramanian Building  
No.1 Club Road, Chennai 600 002.  
Phone : 044 - 28460390 (5 lines)  
Fax : 044 – 28460129  
e-mail – investor@cameoindia.com

For any other general matters  
or in case of any difficulties/

Secretarial Department  
Kandagiri Spinning Mills Limited  
Post Box No.3, Udayapatti, Salem 636 140.  
Phone : 0427 -2244400  
Fax : 0427 – 2244422

Website Address

e-mail: sales@kandagirimills.com

Email ID of Investor Grievances

[www.kandagirimills.com](http://www.kandagirimills.com)

Name of the Compliance Officer

[ksmcs@kandagirimills.com](mailto:ksmcs@kandagirimills.com)

Ms. J. Asifa, Company Secretary

**10. DISCLOSURES**

- (a) During the financial year ended 31<sup>st</sup> March, 2016 there were no materially significant related party transactions that may have potential conflict with the interests of the Company at large.
- (b) Neither were any penalties imposed, nor were any strictures passed by Stock Exchange or SEBI or any Statutory authority on any capital market related matters during the last three years.
- (c) The Company has established a Vigil Mechanism/Whistle Blower Policy to enable stakeholders (including Directors and employees) to report unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. The Policy provides adequate safeguards against victimization of Director(s)/employee(s) and direct access to the Chairman of the Audit Committee in exceptional cases. The Protected Disclosures, if any reported under this Policy will be appropriately and expeditiously investigated by the Chairman. Your Company hereby affirms that no Director / employee has been denied access to the Chairman of the Audit Committee and that no complaints were received during the year. The Whistle Blower Policy has been disclosed on the Company's website.
- (d) The Company has complied with the mandatory requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has adopted various non-mandatory requirements as well, as discussed under relevant headings.
- (e) The Company has no subsidiary.



- (f) The company has formulated a Policy on materiality of Related Party Transactions and also dealing with Related Party Transactions. The necessary disclosures regarding the transactions with related parties are given in the Notes to the financial statements. During the year under review, Your Company had not entered into any material transaction with any of its related parties. The Policy on Related Party Transactions is hosted on the website of the Company under the web link: <http://www.kandagirimills.com/investors/ksml2014-rptp.pdf>
- (g) During the financial year ended 31st March, 2016 the company did not engage in commodity hedging activities.
- (h) The Company has not adopted any alternative accounting treatment prescribed differently from the Accounting Standards.
- (i) The Company laid down procedures to inform Board members about risk assessment and minimization and has implemented the Risk Management plan and continuously monitors it.
- (j) As required by the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has adopted a Code of Conduct for prevention of Insider Trading. Company Secretary of the Company is the Compliance Officer. The Code of Conduct is applicable to all Directors and such identified employees of the Company as well as who are expected to have access to unpublished price sensitive information relating to the Company.
- (k) The Company has adopted a Code of Conduct for Directors and Senior Management of the Company, as required by Clause 49 of the Listing Agreement / Regulation 17(5) of the SEBI LODR. The Company has received confirmation from the Directors and Senior Management regarding compliance with the code for the year ended March 31, 2016. A Certificate from Managing Director to this effect is attached to this report. The code has been displayed on the Company's website.
- (l) The Chairman and Managing Director and Chief Financial Officer of the Company give annual Compliance Certificate in accordance with Regulation 17(8) read with Part B of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / Clause 49 of Listing Agreement with the Stock Exchange(s). The annual Compliance Certificate given by Chairman and Managing Director and Chief Financial Officer is published in Annual Report.
- (m) Details relating to appointment and re-appointment of Directors as required under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is provided in the Notice to the Annual general Meeting.

**11. There has been no instance of non-compliance of any requirement of Corporate Governance Report.**

**12. ADOPTION OF NON- MANDATORY ITEMS**

**(a) The Board**

Since the Company does not have a Non-Executive Chairman, it does not maintain such office.

**(b) Shareholder Rights**

Quarterly/Half yearly financial results are forwarded to the Stock Exchanges and also uploaded on the website of the Company.

**(a) Modified Opinion in Audit Report**

There was no modified opinion in Independent Auditors' Report for the FY 2015-16.

**(b) Reporting of Internal Auditor**

The Internal Auditor of the Company is a permanent invitee to the Audit Committee Meeting and regularly attends the Meeting for reporting their findings of the internal audit to the Audit Committee Members.

**13. The Company has fully complied with the applicable requirement specified in Reg. 17 to 27 and clause (b) to (i) of sub-regulation (2) of regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**



**Certificate on Compliance with Code of Conduct for the Senior Management**

In accordance with Regulation 17(5) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / Clause 49 of Listing Agreement with the Stock Exchange(s), I hereby declare that all the Board members and senior management personnel of the Company have complied with the Code of Conduct of the Company for the year ended March 31, 2016.

May 21, 2016  
Salem

R. Selvarajan  
Chairman and Managing Director

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**To the Members of Kandagiri Spinning Mills Limited**

1. We have examined the compliance with the conditions of Corporate Governance by **Kandagiri Spinning Mills Limited** ( the Company) for the year ended March 31, 2016 as stipulated in Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the said Company with the Bombay Stock Exchange Limited, with the relevant records and documents maintained by the Company and furnished to us and the Report on Corporate Governance as approved by the Board of Directors.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to procedures and implementation thereof, adopted by the Company for ensuring the said compliance. It is neither an audit nor is this certificate an expression of opinion on the financial statements of the Company.
3. Based on the aforesaid examination and according to the information and explanations given to us, we certify that the Company has complied with the said conditions of Corporate Governance as stipulated in Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to the Listing Agreement of the said Company with the Bombay Stock Exchange Limited.
4. 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 Accountant  
Registration No: 01554S

Salem  
May 21, 2016

R. Krishnen - Partner  
Membership no.201133



## INDEPENDENT AUDITORS' REPORT

To the Members of Kandagiri Spinning Mills Limited

### Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **Kandagiri Spinning Mills Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, as applicable. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under and the order under section 143 (11) of the Act.
4. We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016 and its loss and its cash flows for the year ended on that date.



**Report on Other Legal and Regulatory Requirements**

8. As required by Section 143(3) of the Act, we report that:
- We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under section 133 of the Act, as applicable.
  - On the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
  - With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - The Company has, in accordance with the generally accepted accounting practice, disclosed the impact of pending litigations on its financial position in its financial statements.
    - The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses under the applicable law or accounting standards.
    - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- 9 As required by the Companies (Auditor's Report) Order, 2016 (" the Order") issued by the Central Government in terms of Section 143 (11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Firm registration No.01554S  
**R. Krishnen-Partner**  
Membership No.201133

Salem  
May 21, 2016

**ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**

**(Referred to in paragraph 8(f) under 'Report on Other Legal and Regulatory Requirements' Section of our report of even date)**

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

1. We have audited the internal financial controls over financial reporting of Kandagiri Spinning Mills Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business,



including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

8. In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Firm registration No.01554S

**R. Krishnen-Partner**  
Membership No.201133

Salem  
May 21, 2016





**“Annexure ‘B’ to the Independent Auditors' Report**

Referred to in paragraph 9 under 'Report on Other Legal & Regulatory Requirement' section of our report of even date to the standalone financial statements of the Company for the year ended March 31, 2016:

**In respect of fixed assets:**

1. (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of the fixed assets.  
(b) The fixed assets have been physically verified by the Management in a phased manner, designed to cover all the items over a period of three years, which, in our opinion, is reasonable having regard to the size of the company and nature of its business. Pursuant to the program, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies have been noticed on such verification.  
(c) the title deeds of immovable properties of the Company are held in the name of the Company.
2. Inventories have been physically verified during the year by the management at reasonable intervals, and no material discrepancies were noticed on such physical verification.
3. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under section 189 of the Companies Act 2013, and accordingly, the provisions of clause (iii) of paragraph 3 of the Order are not applicable to the Company.
4. According to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees, and security.
5. According to the information and explanations given to us, the Company has not accepted any deposits from public and in respect of the deposits accepted from shareholders, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act 2013 and the Companies (Acceptance of Deposit) Rules, 2014.
6. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 148 of the Companies Act, 2013, and are of the opinion that prima facie, the prescribed account and records have been made and maintained.
7. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, records, the Company has been generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, value added tax, cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2016 for a period of more than six months from the date on when they became payable.  
(b) According to the information and explanations given to us, there are no dues of Income tax, Wealth tax, Excise duty, Service tax and Customs duty which have not been deposited on account of any dispute with the relevant authorities. Details of dues towards sales tax and value added tax that have not been deposited as at March 31, 2016 on account of disputes are stated below: (Nature of dues, period to which the amount relates, forum where dispute is pending) – Sales tax, Rs.35,909, Financial year 2000-01, Sales tax Appellate Tribunal.
8. In our opinion and according to the information and explanations given to us, the Company has defaulted in the repayment of dues to banks. The period and amount of default is as follows:

## Kandagiri Spinning Mills Limited



Name of Bank	Amount (Rs.)	Due date	Paid on
State Bank of India (Principal)	18,00,000.00	30/04/2015	05/05/2015
	19,00,000.00	30/09/2015	06/10/2015
	8,60,000.00	30/09/2015	05/10/2015
State Bank of India (Interest)	9,17,550.00	30/04/2015	05/05/2015
	1,11,492.00	31/05/2015	04/06/2015
	8,01,217.00	31/05/2015	05/06/2015
	8,42,855.00	30/06/2015	10/07/2015
	8,37,850.00	31/07/2015	07/08/2015
	8,06,310.00	31/08/2015	03/09/2015
	7,25,506.00	31/10/2015	03/11/2015
	9,17,336.00	30/11/2015	03/12/2015
	18,87,323.00	31/12/2015	05/01/2016
	18,78,928.00	31/01/2016	03/02/2016
	17,47,149.00	29/02/2016	07/03/2016
	18,15,632.00	31/03/2016	05/04/2016
	Karnataka Bank (Principal)	40,00,000.00	28/06/2015
60,00,000.00		28/07/2015	29/07/2015
60,00,000.00		28/08/2015	29/08/2015
60,00,000.00		28/09/2015	30/11/2015
60,00,000.00		28/10/2015	21/12/2015
60,00,000.00		28/11/2015	22/12/2015
60,00,000.00		28/12/2015	23/02/2016
60,00,000.00		28/01/2016	24/03/2016
60,00,000.00		28/02/2016	26/04/2016
60,00,000.00		28/03/2016	Not paid
36,00,000.00		23/07/2015	27/07/2015
36,00,000.00		23/08/2015	24/08/2015
36,00,000.00		23/09/2015	30/11/2015
36,00,000.00		23/10/2015	21/12/2015
36,00,000.00		23/11/2015	22/12/2015
36,00,000.00		23/12/2015	29/12/2015
24,00,000.00		23/01/2016	19/03/2016
8,60,000.00		18/04/2015	21/04/2015
8,60,000.00		18/05/2015	19/05/2015
8,60,000.00		18/07/2015	21/07/2015
8,60,000.00		18/08/2015	24/08/2015
8,60,000.00		18/09/2015	25/09/2015
8,60,000.00		18/10/2015	16/12/2015
8,60,000.00		18/11/2015	22/12/2015
8,60,000.00		18/12/2015	22/12/2015
8,60,000.00		18/01/2016	15/03/2016
8,60,000.00		18/02/2016	16/04/2016
8,60,000.00	18/03/2016	13/05/2016	
Karnataka Bank (Interest)	30,24,537.00	30/04/2015	08/05/2015
	30,37,001.00	31/05/2015	08/06/2015
	28,00,046.00	30/06/2015	09/07/2015
	27,93,304.00	31/07/2015	13/08/2015
	26,72,587.00	31/08/2015	30/09/2015
	25,10,988.00	30/09/2015	30/11/2015
	18,16,024.00	31/10/2015	21/12/2015
	7,45,541.00	31/10/2015	16/12/2015
	25,28,418.00	30/11/2015	22/12/2015
	22,49,157.00	31/12/2015	25/02/2016

## Kandagiri Spinning Mills Limited



Name of Bank	Amount (Rs.)	Due date	Paid on
	1,29,831.00	31/12/2015	19/01/2016
	14,10,571.00	31/01/2016	29/03/2016
	30,153.00	31/01/2016	24/02/2016
	7,14,641.00	31/01/2016	24/03/2016
	2,21,918.00	31/01/2016	10/02/2016
	6,77,763.00	29/02/2016	22/04/2016
	18,66,434.00	29/02/2016	27/04/2016
	31,506.00	29/07/2016	19/03/2016
	26,52,768.00	31/03/2016	Not paid
AXIS Bank (Principal)	5,00,000.00	31/05/2015	02/06/2015
	5,00,000.00	31/01/2016	06/02/2016
	5,00,000.00	31/03/2016	02/04/2016
AXIS Bank (Interest)	1,73,029.00	30/04/2015	04/05/2015
	1,71,870.00	31/05/2015	01/06/2015
	1,42,128.00	30/09/2015	13/10/2015
	1,37,918.00	31/10/2015	02/11/2015
	1,27,477.00	30/11/2015	03/12/2015
	1,20,621.00	31/01/2016	01/02/2016
	1,07,325.00	29/01/2016	03/03/2016
	1,08,917.00	31/03/2016	02/04/2016

According to the information and explanations given to us, the company has not borrowed any moneys from a financial institution, government or in the form of debentures.

9. Based upon the audit procedures performed and the information and explanations given by the management, the term loans were applied for the purposes for which the loans were taken. The Company has not raised any money by way of initial public offer or further public offers including debt instruments. Hence reporting on utilization of such money does not arise.
10. Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud of material significance by the Company or any fraud on the Company by its officer's or employee's has been noticed or reported during the year.
11. Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
12. The Company is not a Nidhi Company and accordingly the provisions of Clause 3 (xii) of the Order are not applicable to the Company.
13. In our opinion and according to the information and explanations given to us, all transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013. The details of the transactions during the year have been disclosed in the financial statements as required by the Accounting Standards.
14. Based upon the audit procedures performed and the information and explanations given by the management, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
15. Based upon the audit procedures performed and the information and explanations given by the management, the Company has not entered into any non - cash transactions with directors or persons connected with them. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
16. The Company is not required to be registered under section 45- IA of the Reserve Bank of India Act, 1934

For **M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Firm registration No.01554S

**R. Krishnen-Partner**  
Membership No.201133

Salem  
May 21, 2016

# Kandagiri Spinning Mills Limited



## Balance Sheet as at March 31, 2016

Particulars	Note No.	As at March 31, 2016		As at March 31, 2015
		Rupees	Rupees	Rupees
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' funds</b>				
Share capital	1.1	3,85,74,500		3,85,74,500
Reserves and surplus	1.2	36,29,54,349		47,63,30,592
			40,15,28,849	51,49,05,092
<b>Non-Current liabilities</b>				
Long - term borrowings	1.3	36,08,89,494		32,23,30,000
Deferred tax liabilities (Net)	1.4	16,83,83,772		16,83,83,772
Long - term provisions	1.5	1,48,87,614		1,43,92,097
			54,41,60,880	50,51,05,869
<b>Current liabilities</b>				
Short - term borrowings	1.6	35,08,71,678		40,43,32,080
Trade payables	1.7			
(a) total outstanding dues of micro enterprises and small enterprises		1,23,789		1,34,598
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		12,71,45,833		12,28,89,507
Other current liabilities	1.8	22,09,45,093		15,80,47,254
Short - term provisions	1.9	2,54,890		4,79,829
			69,93,41,283	68,58,83,268
<b>TOTAL</b>			<b>164,50,31,012</b>	<b>170,58,94,229</b>
<b>ASSETS</b>				
<b>Non-Current assets</b>				
<b>Fixed assets</b>				
Tangible assets	1.10	92,97,49,784		98,54,52,545
Capital work-in-progress	1.10	-		27,20,141
		92,97,49,784		98,81,72,686
Non-current investments	1.11	2,00,99,500		2,00,99,500
Long-term loans and advances	1.12	13,01,97,775		13,89,34,163
Other non-current assets	1.13	-		4,17,362
			108,00,47,059	114,76,23,711
<b>Current assets</b>				
Inventories	1.14	35,99,78,409		43,17,90,029
Trade receivables	1.15	18,04,19,349		9,34,38,689
Cash and bank balances	1.16	69,49,012		1,54,17,981
Short-term loans and advances	1.17	1,39,62,004		1,28,81,114
Other current assets	1.18	36,75,179		47,42,705
			56,49,83,953	55,82,70,518
<b>TOTAL</b>			<b>164,50,31,012</b>	<b>170,58,94,229</b>

Significant Accounting Policies and Notes to the Financial Statements are an integral part of this Balance Sheet

As per our report of even date  
For **M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Firm Registration No. 01554S

**R. Krishnen** - Partner  
Membership No. 201133  
Salem  
May 21, 2016

For and on behalf of the board

**R. Selvarajan**  
Chairman and Managing Director  
Din No. : 00001703

**J. Asifa**  
Company Secretary

**S. Devarajan**  
Director  
Din No. : 00001910  
**S. Vijay Shankar**  
Chief Financial Officer


**Statement of Profit and Loss for the year ended March 31, 2016**

Particulars	Note No.	For the year ended March 31, 2016		For the year ended March 31, 2015
		Rupees	Rupees	Rupees
<b>Income</b>				
Revenue from operations	2.1	<b>144,73,07,502</b>		189,36,17,431
Other income	2.2	<b>26,74,091</b>		43,17,751
Total Revenue			<b>144,99,81,593</b>	189,79,35,182
<b>Expenses</b>				
Cost of materials consumed	2.3	<b>93,27,27,122</b>		114,65,06,730
Changes in inventories of finished goods and stock-in-trade	2.4	<b>(6,76,77,258)</b>		(11,89,123)
		<b>86,50,49,864</b>		114,53,17,607
Employee benefits expense	2.5	<b>19,10,35,468</b>		20,40,02,884
Finance cost	2.6	<b>12,43,66,063</b>		11,15,41,004
Depreciation and amortization expense	2.7	<b>7,58,67,245</b>		7,53,89,207
Other Expenses	2.8	<b>30,70,39,196</b>		33,90,17,256
Total Expenses			<b>156,33,57,836</b>	187,52,67,958
<b>Profit /(Loss) before exceptional items and tax</b>			<b>(11,33,76,243)</b>	2,26,67,224
<b>Exceptional item</b>			<b>-</b>	-
<b>Profit / (Loss) before tax</b>			<b>(11,33,76,243)</b>	2,26,67,224
<b>Tax expense :</b>				
Current tax			<b>-</b>	-
Deferred tax - liability (asset)			<b>-</b>	71,00,000
			<b>-</b>	71,00,000
<b>Profit /(Loss) for the year from continuing operations</b>			<b>(11,33,76,243)</b>	1,55,67,224
<b>Earnings per Equity share (Face value Rs. 10)</b>				
<b>Basic and Diluted (in Rs.)</b>			<b>(29.45)</b>	4.04

Significant Accounting Policies and Note to the Financial Statements are an integral part of this Statement of Profit and Loss

As per our report of even date  
For **M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Firm Registration No. 01554S

**R. Krishnen** - Partner  
Membership No. 201133

Salem  
May 21, 2016

For and on behalf of the board

**R. Selvarajan**  
Chairman and Managing Director  
Din No. : 00001703

**J. Asifa**  
Company Secretary

**S. Devarajan**  
Director  
Din No. : 00001910

**S. Vijay Shankar**  
Chief Financial Officer


**Cash Flow Statement for the period ended March 31, 2016**

Particulars	As at March 31, 2016 Rupees	As at March 31, 2015 Rupees
<b>1. Cash flows from operating activities</b>		
1.1 Profit / (Loss) before tax and exceptional item	<b>(11,33,76,243)</b>	2,26,67,224
1.2 Adjustment for		
Depreciation and amortisation	<b>7,58,67,245</b>	7,53,89,207
Loan raising expenditure - amortised	<b>4,17,362</b>	2,76,897
- incurred		
Amount considered under investing activities		
Profit / (Loss) on disposal of assets	<b>(37,305)</b>	-
Income from investments	<b>(1,80,000)</b>	(1,80,000)
Amount considered under financing activities		
Interest paid	<b>12,43,66,063</b>	11,15,00,413
Interest received	<b>(24,56,786)</b>	(29,88,387)
Provision for diminution in value of long term investments	-	-
1.3 Operating profit before working capital changes	<b>8,46,00,336</b>	20,66,65,354
1.4 Adjustment for changes in		
Increase / (Decrease) in trade payables	<b>42,45,517</b>	(1,10,08,873)
Increase / (Decrease) in long term provisions	<b>4,95,517</b>	17,07,820
Increase / (Decrease) in short term provisions	<b>(224,939)</b>	11,936
Increase / (Decrease) in other current liabilities	<b>24,48,317</b>	13,68,152
Decrease / (Increase) in trade receivables	<b>(8,69,80,660)</b>	1,29,62,545
Decrease / (Increase) in inventories	<b>7,18,11,620</b>	(5,74,88,380)
Decrease / (Increase) in long term advances	<b>73,81,866</b>	(1,15,84,468)
Decrease / (Increase) in short term advances	<b>(10,80,890)</b>	1,99,12,689
Decrease / (Increase) in other current assets	<b>32,20,077</b>	50,47,798
<b>1.5 Cash generated from operating activities</b>	<b>8,59,16,761</b>	16,75,94,573
1.6 Income tax paid/(refund)	<b>(20,75,478)</b>	(2,57,879)
<b>Net cash flow from operating activities before exceptional items</b>	<b>8,38,41,283</b>	16,73,36,694
Exceptional items	-	-
<b>Net cash flow from operating activities [A]</b>	<b>8,38,41,283</b>	16,73,36,694
<b>2. Cash flows from investing activities</b>		
2.1 Purchase of tangible assets, intangible assets, CWIP and capital advances	<b>(1,40,33,038)</b>	(92,09,068)
2.2 Proceeds from sale of tangible assets	<b>56,000</b>	-
2.3 Refund of terminal excise duty	-	-
2.4 Investment in equity shares	-	(5,500)
2.5 Interest received	<b>24,56,786</b>	29,88,387
2.6 Dividend received	<b>1,80,000</b>	1,80,000
2.7 Changes in Advances (Net)		
<b>Net cash flow used in investing activities [B]</b>	<b>(1,13,40,252)</b>	(60,46,181)

**Cash Flow Statement for the period ended March 31, 2016 (contd..)**

Particulars	As at March 31, 2016 Rupees	As at March 31, 2015 Rupees
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from long term borrowings	<b>18,28,10,548</b>	23,29,06,000
3.2 Repayments of long term borrowings	<b>(12,38,01,532)</b>	(32,87,14,072)
3.3 Proceeds from short term borrowings	-	-
3.4 Repayments of short term borrowings	-	(3,88,02,492)
3.5 Inter corporate Loan		
Related Party – received	<b>4,00,00,000</b>	-
3.6 Changes in cash credit facilities	<b>(5,34,60,402)</b>	9,08,77,850
3.7 Interest paid - Net	<b>(12,43,66,063)</b>	(11,15,00,413)
3.8 Dividend paid on equity shares	-	-
3.9 Dividend Tax paid on equity dividend paid	-	-
<b>Net cash flow from financing activities [C]</b>	<b>(7,88,17,449)</b>	(15,52,33,127)
<b>Net cash inflow / (outflow) [A+B+C]</b>	<b>(63,16,418)</b>	60,57,386
<b>Opening cash and cash equivalents</b>	<b>67,45,690</b>	6,88,304
<b>Closing cash and cash equivalents</b>	<b>4,29,272</b>	67,45,690
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(63,16,418)</b>	60,57,386
<b>Notes to the cash flow statement</b>		
Components of cash and cash equivalents:		
Cash and bank balances excluding unclaimed dividend and earmarked deposits held by banks as margin money	<b>4,29,272</b>	67,45,690
	<b>4,29,272</b>	67,45,690

As per our report of even date  
For **M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Firm Registration No. 01554S

**R. Krishnen** - Partner  
Membership No. 201133

Salem  
May 21, 2016

For and on behalf of the board

**R. Selvarajan**  
Chairman and Managing Director  
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**S. Devarajan**  
Director  
Din No. : 00001910

**S. Vijay Shankar**  
Chief Financial Officer



## Notes annexed to and forming part of the Financial Statements

Particulars	As at March 31, 2016 Rupees	As at March 31, 2015 Rupees
<b>1.1 Share Capital</b>		
<b>Authorised</b>		
<b>Equity Share Capital</b>		
50,00,000 (2015 : 50,00,000) Equity shares of Rs.10 each with voting rights	<b>5,00,00,000</b>	5,00,00,000
<b>Issued</b>		
38,65,650 (2015 : 38,65,650) Equity shares of Rs.10 each with voting rights	<b>3,86,56,500</b>	3,86,56,500
<b>Subscribed</b>		
38,49,250 (2015 : 38,49,250) Equity shares of Rs.10 each fully paid with voting rights	<b>3,84,92,500</b>	3,84,92,500
Add Forfeited shares (amount originally paid up in respect of 16,400 equity shares)	<b>82,000</b>	82,000
	<b>3,85,74,500</b>	3,85,74,500
<b>Notes :</b>		
1. Reconciliation of Number of Shares		
Equity Shares with voting rights		
Shares outstanding as at April 1, 2015 / April 1, 2014	<b>38,49,250</b>	38,49,250
Shares outstanding as at March 31, 2016 / March 31, 2015	<b>38,49,250</b>	38,49,250
2. Shares issues in preceeding five years	<b>NIL</b>	NIL
3. Shareholders holding more than 5% of the total share capital:		
Name of the shareholder	No. of shares	
	2016	2015
	%	%
R. Selvarajan	7,78,730	7,78,330
S. Vijay Shankar	4,09,582	4,09,582
4. Rights and restrictions in respect of equity shares		
The company has one class of equity shares having a par value of Rs.10 each.		
Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, holder of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amount. The distribution will be in proportion to the number of equity shares held by the shareholders.		
<b>1.2 Reserves and Surplus</b>		
<b>a) Securities Premium as at the beginning and end of the year</b>	<b>5,48,61,631</b>	5,48,61,631
<b>b) Revaluation Reserve</b>		
As at the beginning of the year	<b>21,37,52,760</b>	21,64,54,581
Transfer to General reserve		
(refer note no.3.9 to the Financial Statements)	<b>27,01,821</b>	27,01,821
As at the end of the year	<b>21,10,50,939</b>	21,37,52,760
<b>c) General Reserve</b>		
As at the beginning of the year	<b>22,02,01,821</b>	21,75,00,000
Transfer from Revaluation Reserve	<b>27,01,821</b>	27,01,821
(refer note no.3.9 to the Financial Statements)		
Transfer from Statement of Profit and Loss	—	—
As at the end of the year	<b>22,29,03,642</b>	22,02,01,821
<b>d) Surplus/(Deficit) - balance in Statement of Profit and Loss</b>		
As at the beginning of the year	<b>(1,24,85,620)</b>	(2,62,16,258)
Add: Current year profit / (Loss)	<b>(11,33,76,243)</b>	1,55,67,224
Less: Adjustment relating to Fixed Assets	—	18,36,586
As at the end of the year	<b>(12,58,61,863)</b>	(1,24,85,620)
	<b>36,29,54,349</b>	47,63,30,592





## Notes annexed to and forming part of the Financial Statements (contd..)

Particulars	As at March 31, 2016 Rupees	As at March 31, 2015 Rupees
<b>1.3 Long term borrowings</b>		
Secured - Term loans from banks	21,15,62,494	22,68,80,000
Unsecured - Fixed deposits	10,93,27,000	9,54,50,000
- Intercompany Loan from related party (Refer note no.3.8 to the Financial Statements)	4,00,00,000	-
	<b>36,08,89,494</b>	<b>32,23,30,000</b>
<b>Notes:</b>		
i) Refer note no.3.16 to the Financial Statements for the terms of loans		
ii) Fixed deposits includes deposits from directors Rs.11,87,13,000 (2015 : Rs.6,98,63,000)		
<b>1.4 Deferred tax liabilities (net)</b> (Refer note no.3.15 to the Financial Statements)		
Deferred tax liabilities		
- Timing differences on account of depreciation	18,62,19,619	17,31,64,467
Deferred tax assets		
- Unabsorbed tax depreciations and loss	1,30,55,152	-
- Provision for employees benefit	47,80,695	47,80,695
	<b>16,83,83,772</b>	<b>16,83,83,772</b>
<b>1.5 Long term provisions</b>		
Provision for employee benefit Compensated absences	1,48,87,614	1,43,92,097
	<b>1,48,87,614</b>	<b>1,43,92,097</b>
<b>1.6 Short term borrowings</b>		
<b>Secured from banks</b>		
Cash credit facilities	35,08,71,678	40,43,32,080
	<b>35,08,71,678</b>	<b>40,43,32,080</b>
<b>Notes :</b>		
Refer note no.3.16 to the Financial Statements for the terms of loans		
<b>1.7 Current Liabilities - Trade payables</b>		
Trade payables - including acceptances		
Micro, Small and Medium enterprises	1,23,789	1,34,598
Other trade payables	12,71,45,833	12,28,89,507
	<b>12,72,69,622</b>	<b>12,30,24,105</b>
<b>1.8 Other current liabilities</b>		
Current maturities of Long term debts	19,78,18,085	13,73,68,563
Interest accrued but not due on borrowings	2,24,015	9,64,792
Interest accrued and due on borrowings	95,21,699	63,02,385
Unclaimed dividends	3,01,902	4,33,498
Other payables	1,30,79,392	1,29,78,016
	<b>22,09,45,093</b>	<b>15,80,47,254</b>
<b>Notes :</b>		
i) Refer note no.3.16 to the Financial Statements for terms of current maturities of long term debts		
ii) Other payables include :		
- contribution payable to Gratuity Fund	94,18,002	77,74,793
- advance from customers	7,06,568	40,47,198
- sales tax payable	-	1,59,725
<b>1.9 Short term provisions</b>		
Provision for employee benefit Compensated absences	2,54,890	4,79,829
	<b>2,54,890</b>	<b>4,79,829</b>

# Kandagiri Spinning Mills Limited



## Notes annexed to and forming part of the Financial Statements (contd..) 1.10 Tangible assets and Capital work in progress

Description	Gross block (Cost / valuation)						Depreciation / amortisation / impairment			NET BLOCK	
	As on 01.04.2015	Additions	Deductions	As on 31.03.2016	Upto 31.03.2015	Charge during the year	Deductions/ Adjustments	Upto 31.03.2016	As on 31.03.2016	As on 31.03.2015	
Land - freehold	16,14,57,056			16,14,57,056					16,14,57,056	16,14,57,056	
Buildings	38,97,98,350	1,40,869		38,99,39,219	11,90,63,741	1,16,87,565		13,07,51,306	25,91,87,913	27,07,34,609	
Plant and machinery	110,33,88,300	171,92,191		112,05,80,491	70,60,35,478	4,18,00,089		74,78,35,567	37,27,44,924	39,73,52,822	
Wind energy converters	48,14,81,624	6,56,000		48,21,37,624	33,38,69,613	202,36,091		35,41,05,704	12,80,31,920	14,76,12,011	
Furniture and fittings	29,19,156			29,19,156	20,01,748	2,11,378		22,13,126	7,06,030	9,17,408	
Vehicles	1,76,18,450	21,94,119	4,04,264	1,94,08,305	105,52,443	19,07,326	3,85,569	1,20,74,200	73,34,105	70,66,007	
Office Equipment	32,10,014			32,10,014	31,24,323	24,796		31,49,119	60,895	85,691	
Live stock	2,26,941			2,26,941					2,26,941	2,26,941	
<b>TOTAL</b>	<b>216,00,99,891</b>	<b>201,83,179</b>	<b>4,04,264</b>	<b>217,98,78,806</b>	<b>117,46,47,346</b>	<b>7,58,67,245</b>	<b>3,85,569</b>	<b>125,01,29,022</b>	<b>92,97,49,784</b>	<b>98,54,52,545</b>	
Previous year	215,21,93,844	79,06,047		216,00,99,891	109,64,80,158	7,53,89,207		117,46,47,346	98,54,52,545	105,57,13,686	
Capital work in progress											
Previous year				27,20,141						27,20,141	

**Note :**

i) Borrowing cost capitalised - Rs. Nil (2015 Rs. Nil)



## Notes annexed to and forming part of the Financial Statements (contd..)

Particulars	As at March 31, 2016 Rupees	As at March 31, 2015 Rupees
<b>1.11 Non-Current Investments</b>		
<b>Non-Trade Investments</b>		
Investments in Equity instruments		
i) Associates		
20,00,000 (2015 : 20,00,000) Equity shares of Rs.10 each in SPMM Health Care Services Private Limited	2,00,00,000	2,00,00,000
ii) Others		
90,000 (2015 : 90,000) Equity shares of Rs.10 each in Sambandam Spinning Mills Limited #	45,00,000	45,00,000
220 (2015 : 220) Equity shares of Rs.10 each in ARS Energy Private Limited	60,500	60,500
500 (2015 : 500) Equity shares of Rs.10 each in Suryadev Alloys and Power Private Limited	68,000	68,000
	<u>2,46,28,500</u>	<u>2,46,28,500</u>
Less Provision for diminution in value towards SPMM Health Care Services Private Limited	45,29,000	45,29,000
	<u>2,00,99,500</u>	<u>2,00,99,500</u>
<b>Notes :</b>		
i) All investments are fully paid-up		
ii) Quoted investments (#) - Cost	45,00,000	45,00,000
- Market value	59,85,000	53,91,000
iii) Unquoted investments - Cost	2,01,28,500	2,01,28,500
<b>1.12 Long term Loans and advances</b>		
Unsecured, considered good		
Capital advances	53,89,600	88,19,600
Security deposits	2,60,23,198	3,34,76,166
Other loans and advances		
- employee advances	1,64,602	93,500
- Sales tax, ESI and others paid under protest	2,96,73,623	2,96,73,623
- Advance income tax (net of provisions)	27,68,518	6,93,040
- MAT credit entitlement	6,61,78,234	6,61,78,234
	<u>13,01,97,775</u>	<u>13,89,34,163</u>
<b>1.13 Other Non-current assets</b>		
Unamortised loan raising expenses	-	4,17,362
	<u>-</u>	<u>4,17,362</u>
<b>1.14 Inventories</b>		
Raw materials - Cotton	10,38,12,329	24,22,66,661
Work-in-progress - Cotton in process	14,57,87,169	12,41,91,003
Finished goods - Yarn	9,27,91,936	4,83,25,534
- Process waste	1,33,53,315	1,17,38,625
Stores and spares	42,33,660	52,68,206
	<u>35,99,78,409</u>	<u>43,17,90,029</u>



## Notes annexed to and forming part of the Financial Statements (contd..)

Particulars	As at March 31, 2016 Rupees	As at March 31, 2015 Rupees
<b>1.15 Trade receivables</b>		
Unsecured, considered good		
Trade receivables		
Outstanding for more than six months from the date they are due for payment	69,500	27,000
Others	<u>18,03,49,849</u>	9,34,11,689
	<u>18,04,19,349</u>	<u>9,34,38,689</u>
<b>1.16 Cash and bank balances</b>		
<b>(i) Cash and cash equivalents</b>		
Balances with banks in Current account	3,57,036	61,60,683
Cash on hand	<u>72,236</u>	<u>5,85,007</u>
	<u>4,29,272</u>	67,45,690
<b>(ii) Other bank balances</b>		
Earmarked balances with Banks - Unclaimed dividend accounts	3,01,902	4,33,498
- Liquid assets deposits *	-	13,56,568
Deposits with Banks held as margin money	<u>62,17,838</u>	68,82,225
* under Companies (Acceptance of Deposits) Rules, 2014 of the above Bank deposits with more than 12 months maturities Rs. 62,17,838 2015 Rs. 34,56,700)		
	<u>69,49,012</u>	<u>1,54,17,981</u>
<b>1.17 Short-term loans and advances</b>		
Unsecured, considered good		
Material advances	23,03,330	32,09,028
Employee advances	4,65,806	7,38,045
Other receivables	<u>1,11,92,868</u>	<u>89,34,041</u>
	<u>1,39,62,004</u>	<u>1,28,81,114</u>
Of the above,		
Other receivables include :		
- VAT credit	6,26,312	7,06,899
- Prepaid expenses	<u>80,35,456</u>	<u>61,33,999</u>
<b>1.18 Other current assets</b>		
Interest accrued on deposits	2,58,559	3,18,898
Interest subsidy receivable	31,72,601	35,39,813
Export incentive receivable	-	5,36,870
Unamortised loan raising expenses	<u>2,44,019</u>	<u>3,47,124</u>
	<u>36,75,179</u>	<u>47,42,705</u>



## Notes annexed to and forming part of the Financial Statements (contd..)

Particulars	For the year ended March 31, 2016 Rupees	For the year ended March 31, 2015 Rupees
<b>2.1 Revenue from operations</b>		
Sale of products		
Yarn	141,07,93,942	180,73,73,479
Fabric	60,90,037	2,57,01,665
Process waste	3,09,39,613	5,96,83,596
	<u>144,78,23,592</u>	<u>189,27,58,740</u>
Other operating revenues		
Scrap sales	4,39,596	6,58,676
Export incentives	5,47,265	6,71,486
	<u>144,88,10,453</u>	<u>189,40,88,902</u>
Less Trade rebate and discounts	15,02,951	4,71,471
	<u>144,73,07,502</u>	<u>189,36,17,431</u>
<b>2.2 Other income</b>		
Interest income from		
Security deposits and bank deposits	24,56,786	29,88,387
Dividend income from Non-current investments	1,80,000	1,80,000
Profit on sale of assets	37,305	-
Net gain on foreign currency transactions and translations	-	11,49,364
	<u>26,74,091</u>	<u>43,17,751</u>
<b>2.3 Cost of materials consumed</b>		
Cotton	91,66,76,368	112,90,18,868
Others	1,60,50,754	1,74,87,862
	<u>93,27,27,122</u>	<u>114,65,06,730</u>
<b>Of the above</b>		
Imported items - Amount	640,49,780	7,33,49,124
- Percentage	6.87	6.40
Indigenous items - Amount	86,86,77,342	107,31,57,606
- Percentage	93.13	93.60
<b>2.4 Changes in Inventories of finished goods and work-in-progress</b>		
Work-in-progress	(2,15,96,166)	(2,55,29,154)
Finished goods	(4,60,81,092)	2,43,40,031
Net change in inventories	<u>(6,76,77,258)</u>	<u>(11,89,123)</u>
<b>2.5 Employee benefits expense</b>		
Salaries, wages and bonus	17,50,92,046	18,38,01,431
Contribution to provident, gratuity and other funds	70,14,971	1,01,44,300
Welfare expenses	89,28,451	1,00,57,153
	<u>19,10,35,468</u>	<u>20,40,02,884</u>
<b>2.6 Finance costs</b>		
Interest	12,43,66,063	11,15,00,413
Other borrowing costs	-	40,591
	<u>12,43,66,063</u>	<u>11,15,41,004</u>
Other borrowing costs include amortisation on :		
Premium on forward contracts	-	40,591



## Notes annexed to and forming part of the Financial Statements (contd..)

Particulars	For the year ended March 31, 2016 Rupees	For the year ended March 31, 2015 Rupees
<b>2.7 Depreciation and amortisation expense</b>		
<b>Tangible assets</b>		
Buildings	1,16,87,565	1,13,50,952
Plant and machinery	4,18,00,089	4,17,56,566
Wind energy converters	2,02,36,091	2,02,33,036
Furniture and fittings	2,11,378	1,00,747
Office equipments	24,796	2,31,498
Vehicles	19,07,326	17,16,408
Total depreciation on tangible assets	<u>7,58,67,245</u>	<u>7,53,89,207</u>
<b>2.8 Other expenses</b>		
Conversion charges	46,72,117	1,05,25,923
Consumption of stores and spares	1,56,14,561	2,54,75,756
Power and fuel-net	19,61,62,776	20,11,14,404
Repairs and maintenance		
- Buildings	6,94,942	7,95,238
- Plant and machinery	2,33,77,693	2,05,08,245
Insurance	11,14,644	13,39,338
Rates and taxes	14,97,521	10,03,088
Packing and forwarding chages	2,32,97,972	3,14,32,597
Brokerage and commission on sales	1,40,30,925	1,86,32,509
Travel and vehicle upkeep expenses	1,00,35,107	1,16,00,407
Donation and charity	15,250	-
CSR expenses	1,65,360	-
Printing and stationery	6,43,194	7,90,737
Directors' sitting fees	16,40,000	13,65,000
Bank and other financial charges	83,02,127	76,64,293
Miscellaneous expenses	57,75,007	67,69,721
	<u>30,70,39,196</u>	<u>33,90,17,256</u>



**Statement on Significant Accounting Policies forming part of the Financial Statements for the year ended March 31, 2016**

1. Basis of preparation of financial statements - The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) to comply with the Accounting standards prescribed under section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act"), as applicable. The financial statements have been prepared on accrual basis under the historical cost convention except in so far as they relate to revaluation of net assets. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in the revised schedule II to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the company has determined its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

2. Use of estimates – The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements, disclosure of contingent liabilities and reported amounts of revenues and expenses for the year. Estimates are based on historical experience, where applicable and other assumptions that management believes are reasonable under the circumstances. Actual results could vary from these estimates and any such differences are dealt with in the period in which the results are known/materialise.
3. Revenue recognition – Revenue from sale of products is recognized on despatch of goods to customers in accordance with the terms of sales. Revenue from services is recognized in accordance with the specific terms of contract on performance. Other operating revenues comprise of income from ancillary activities incidental to the operations of the company and is recognized when the right to receive the income is established as per the terms of the contract.
4. Other Income – Interest income is accounted on accrual basis. Dividend income is accounted when the right to receive is established.
5. Foreign currency transactions – Foreign currency transactions (including booking/cancellation of forward contracts) are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency, other than those covered by forward exchange contracts, are translated at year end foreign exchange rates. Exchange differences arising on settlements are recognized in the Statement of Profit and Loss. In case of forward exchange contracts which are entered into hedge the foreign currency risk of a receivable/payable recognized in these financial statements, premium or discount on such contracts are amortised over the life of the contract and exchange differences arising thereon in the reporting period are recognised in the Statement of Profit and loss. Forward exchange contracts which are arranged to hedge the foreign currency risk of a firm commitment is marked to market at the year end and the resulting losses, if any, are charged to the Statement of Profit and loss.
6. Employee benefits – (i) Short term employee benefit obligations are estimated and provided for; (ii) Post employment benefits and other long term employee benefits – (1) Company's contribution to provident fund, labour welfare fund, employees state insurance corporation and other funds are determined under the relevant schemes and /or statute and charged to revenue; (2) Company's liability towards gratuity and compensated absences are actuarially determined at each balance sheet date using the projected unit credit method. Actuarial gains and losses are recognised in revenue.



**Statement on Significant Accounting Policies forming part of the Financial Statements for the year ended March 31, 2016 (Contd..)**

7. Fixed Assets – Tangible fixed assets - All costs relating to acquisition of fixed assets net of value added tax and terminal excise duty refund under Export Promotion Capital Goods Scheme, subject to the economic life and the cost being in excess of certain limits, are capitalised. Expenditure directly related and incidental to construction are capitalized upto the date of attainment of commercial production. Interest and other related costs, including amortised cost of borrowings attributable only to major projects are capitalized as part of the cost of the respective assets. In the case of Wind energy converters, cost of land on which the converters have been erected is capitalised as cost of the said converters. Cost of structures on leasehold land, where the estimated useful life is more than ten years, is capitalized. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.
8. Depreciation/amortization – Tangible fixed assets - Depreciation on fixed assets is provided on straight line basis. Depreciation is provided based on useful life of the assets as prescribed in Schedule II to the Companies Act, 2013 except in respect of the following assets, where useful life is different than those prescribed in Schedule II are used:

Particulars	Depreciation
Plant and machinery (Continuous process Plant)	Over its useful life of 18 years as Technically assessed
Wind energy convertors	Over its useful life of 17 years as Technically assessed

9. Impairment of assets – The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be recognised in the Statement of Profit and Loss wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. Provision for impairment will be reviewed periodically and amended depending on changes in circumstances.
10. Investments – Non-current investments are stated at cost. However, provision for diminution is made to recognize a decline, other than temporary, in the value of the investment, if any. Current investments are valued at lower of cost and fair value.
11. Inventories – The governing principle of valuation of Inventories (other than process waste) is the lower of cost and net realisable value. The cost for the said purpose (i) in the case of stores and spare parts, is the weighted average cost (net of Cenvat credit/value added tax, if any), (ii) in the case of cotton in process and manufactured yarn, is the cost adopting the absorption costing method, and (iii) is without deduction of the adjustment made for power generated through Wind energy converters and adjusted against the cost of power purchased from state electricity board. Process waste is valued at net realizable value. Provision is made for obsolete, slow moving and damaged items of inventory, if any.
12. Government grants – Capital grants from government relating to depreciable assets are treated as deferred income and disclosed as a capital reserve and amortised over the useful life of the concerned asset. Cenvat credit relating to capital assets acquired is treated as capital reserve and amortised over the useful life of the concerned assets by transfer profit and loss account and considered under depreciation. Grants/incentives other than those mentioned above are reckoned in the profit and loss account in the year of eligibility.





**Statement on Significant Accounting Policies forming part of the Financial Statements for the year ended March 31, 2016 (Contd..)**

13. Borrowing costs - Borrowing costs include exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Profit and Loss Statement in the period in which they are incurred.
14. Research and development – Revenue expenditure on research and development is charged to the profit and loss account as incurred. Capital expenditure on research and development, where the same represents cost of plant, machinery, equipment and other tangible assets, if any, is given the same accounting treatment as applicable to other capital expenditure.
15. Deferred tax - Deferred income tax charge reflects the impact of the current period timing differences between taxable income and accounting income, other than differences capable of getting reversed during the 'tax holiday' period, subject to consideration of prudence. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets/liabilities are reviewed as at each balance sheet date based on developments during the period and available case laws to reassess realisation/liabilities.
16. Provisions and contingencies - To recognise a provision when (i) the company has a present obligation as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. A disclosure of a contingent liability is made when there is a possible obligation that may, but probably will not, require outflow of resources. Where there is possible obligation or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.
17. Cash flow statement – Cash flow statements are reported using the indirect method, whereby profit/(loss) before extra-ordinary items/exceptional items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipt or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on available information including taxes paid relating to these activities.

**3. Notes annexed to and forming part of the Financial Statements**

	<b>March 31, 2016</b>	March 31, 2015
	<b>(Rupees)</b>	(Rupees)
<b>3.1 Information regarding Imports (c.i.f)</b>		
Raw materials	73,27,356	11,71,39,432
Machinery spares	41,78,233	3,34,510
<b>3.2 Foreign currency transactions and other financial information</b>		
<b>(i) Expenditure in foreign currency</b>		
Interest	–	61,561
Travel	3,90,364	61,248
Others	45,673	5,89,999
<b>(ii) Earnings in foreign currency</b>		
Export of goods (FOB value)	1,79,13,996	2,32,82,893
Others (freight recoveries)	–	1,93,245
<b>(iii) Remittance of dividend to Non-Resident Shareholders</b>	–	–



## Notes annexed to and forming part of the Financial Statements (Contd..)

	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
<b>3.3 Auditors' remuneration</b>		
(included under Miscellaneous expenses (refer Note 2.8 to the Financial statements))		
(i) For financial audit	3,70,000	3,70,000
(ii) For cost audit	2,50,000	2,50,000
(iii) For taxation matters	1,55,000	1,65,000
(iv) For other services	1,65,000	1,70,000
(v) For reimbursement of expenses	1,38,243	1,32,456
<b>3.4 Contingent liabilities</b>		
(i) Claims against the company not acknowledged as debts	4,21,65,413	3,65,08,688
(ii) Bills discounted with banks	-	47,89,500
Out flow relating to above not practicable to indicate in view of the uncertainties involved		
<b>3.5 Capital commitments not provided for (net of advances)</b>	5,08,17,482	5,08,17,482
<b>3.6 Earnings per share</b>		
Profit/(Loss) after taxation as per Statement of Profit and Loss (A)	(11,33,76,243)	1,55,67,224
Number of equity shares outstanding (B)	38,49,250	38,49,250
Basic and Diluted earnings per share (in Rupees) – Basic (A/B)	(29.45)	4.04
<b>3.7 Segment information</b>		
The company's primary segment is identified as business segment based on nature of products, risks, return and the internal business reporting system (i.e. cotton yarn) and operates in a single geographical segment as per Accounting Standard 17.		
<b>3.8 Related party disclosure</b>		
(i) Related parties with whom transactions have taken place during the year		
(1) Key management personnel		
Sri R. Selvarajan – Chairman and Managing Director		
Sri S. Vijayshankar – Chief Financial Officer		
Ms. J. Asifa – Company Secretary		
(2) Associate SPMM Healthcare Services Private Limited		
(3) Parties where significant influence exists		
S. Palaniandi Mudaliar Charitable Trust		
Kandagiri Spinning Mills Gratuity Trust		
Sambandam Siva Textiles Private Limited		
Sambandam Spinning Mills Limited		
(ii) Transactions with related parties		
(1) Key management personnel		
R. Selvarajan		
- Interest payment	45,34,636	31,54,113
- Dividend payment	-	-
- Remuneration	36,00,000	36,00,000
- Fixed deposits received	1,49,00,000	52,19,000
- Fixed deposits repaid	-	15,00,000
- Outstanding balances under Fixed deposits	4,49,94,000	3,00,94,000
S. Vijayshankar		
- Remuneration	30,00,000	30,00,000
- Interest payment	39,30,000	17,58,951
- Dividend payment	-	-
- Fixed deposits received	1,57,50,000	2,61,69,000
- Fixed deposits repaid	-	-
- Outstanding balances under Fixed deposits	4,57,19,000	2,94,69,000
J. Asifa		
- Remuneration	4,00,200	3,01,200



## Notes annexed to and forming part of the Financial Statements (Contd..)

	March 31, 2016 (Rupees)	March 31, 2015 (Rupees)
(2) Parties where significant influence exists		
S. Palaniandi Mudaliar Charitable trust		
- Payments for employee welfare services	7,47,697	6,96,134
Kandagiri Spinning Mills Gratuity trust		
- Contribution paid/payable	16,43,209	42,52,797
Sambandam Siva Textiles Private Limited		
- Sale of hank yarn obligation	-	1,16,330
Sambandam Spinning Mills Limited		
- Yarn testing charges paid	5,66,749	5,75,103
- Inter corporate loan received	4,00,00,000	-
- Interest paid on inter corporate loan	5,94,590	-
- Balance at the end of the year	4,05,94,590	-

**3.9** Pursuant to the enactment of Companies Act, 2013 and according to the application guide on the provisions of Schedule II to the Companies Act, 2013, a sum of Rs.27,01,821, being the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on its original cost, has been transferred to General Reserve from Revaluation Reserve account.

**3.10** The information required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company. There are no overdues to parties on account of principal amount and/or interest and accordingly no additional disclosures have been made; and (ii) There are no amounts remaining unpaid or unclaimed for a period of seven years in respect of unpaid dividend, matured fixed deposits and interest thereon from the date they became payable by the company and hence there are no amounts remaining to be credited to the Investor Education and Protection Fund.

**3.11** Derivatives - The company uses derivative financial instruments such as forward contracts and option to hedge certain currency exposures, present and anticipated, denominated mostly in US dollars, Euro and Swiss Franks. Generally such contracts are taken for exposures materializing in the next six months. The company actively manages its currency rate exposures and uses these derivatives to mitigate the risk from such exposures. The company has hedged exposure of US \$ Nil (March 31, 2015 US \$ Nil) as at March 31, 2016 and has a net unhedged exposure of US \$ Nil (March 31, 2015 US\$ Nil) as at March 31, 2016.

**3.12** Raw material consumed – others include consumption of yarn for manufacture of double yarn.

**3.13** Power and fuel is net of value of power generated by Wind energy converters Rs.6,94,17,256 (2014-15 : Rs.8,63,00,718).

**3.14** Human resources – Particulars of managerial remuneration (i) To Managing Director – Salary Rs.21,60,000 (2014-15 : Rs.21,60,000), Perquisites Rs.14,40,000 (2014-15 : Rs.14,40,000).

**3.15** The Company has recognised deferred tax liability of Rs. 1,30,55,152/- representing timing differences on account of depreciation. As a matter of prudence and in accordance with Accounting Standard 22, accrual of deferred tax asset has been restricted (in view of unabsorbed losses under the Income Tax Act, 1961). An amount of Rs. 1,30,55,152/- has accordingly been accrued as deferred tax asset such that the impact of net deferred tax considered in the Statement of Profit and Loss of the current year is Rs. Nil. Deferred tax asset primarily comprises timing differences on allowances and unabsorbed losses/depreciation.



**Notes annexed to and forming part of the Financial Statements (Contd..)**  
**3.16 Details of Long Term Borrowings:**

	Bank Name	March 31, 2016				Particulars of Repayment	March 31, 2015			
		Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %		Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %
<b>a. Secured Loans:</b>										
i)	<b>Term loans from Banks</b>									
	State Bank of India TL 3	-	-	-	-	5 monthly instalment of Rs.18 lakhs each and one monthly instalment of Rs.19 lakhs (2015-16 Rs.109 lakhs)	-	1,09,00,000	1,09,00,000	14.10
	State Bank of India TL 4	2,51,40,000	3,48,00,000	5,99,40,000	13.05	12 monthly instalment of Rs.8.60 lakhs each, 12 monthly instalment of Rs.29 lakhs each and 6 monthly instalment of Rs.41.90 lakhs each (2015-16 Rs.103.20 lakhs, 2016-17 Rs.348 lakhs and 2017-18 Rs.251.40 lakhs)	5,99,40,000	1,03,20,000	7,02,60,000	13.75
	State Bank of India TL 5	9,40,00,000	60,00,000	10,00,00,000	13.35	6 monthly instalment of Rs.10 lakhs each, 48 monthly instalment of Rs.15 lakhs each and 11 monthly instalment of Rs.20 lakhs each (2016-17 Rs.60.00 lakhs, 2017-18 Rs.180 lakhs, 2018-19 Rs.180 lakhs, 2019-20 Rs.180 lakhs, 2020-21 Rs.180 lakhs, 2021-22 Rs.220 lakhs)	-	-	-	-
	Karnataka Bank TL 1	-	-	-	-	8 monthly instalments of Rs.36 lakhs each and one monthly instalment of Rs.44 lakhs (2015-16 Rs.332 lakhs)	-	3,32,00,000	3,32,00,000	14.00
	Karnataka Bank TL 4	2,51,40,000	3,65,20,000	6,16,60,000	13.25	12 monthly instalment of Rs.8.60 lakhs each, 12 monthly instalment of Rs.29 lakhs each and 6 monthly instalment of Rs.41.90 lakhs each (2015-16 Rs.103.20 lakhs, 2016-17 Rs.348 lakhs and 2017-18 Rs.251.40 lakhs) (including arrear of 2015-16 Rs.17.20 lakhs included in 2016-17)	5,99,40,000	1,03,20,000	7,02,60,000	13.75



**Notes annexed to and forming part of the Financial Statements (Contd..)**  
**3.16 Details of Long Term Borrowings: (Contd..)**

Bank Name	March 31, 2016				Particulars of Repayment	March 31, 2015			
	Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %		Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %
Axis Bank TL	30,00,097	64,79,000	94,79,097	13.50	30 monthly instalments of Rs.5 lakhs each (2015-16 Rs.60 lakhs 2016-17 Rs.60 lakhs 2017-18 Rs.30 lakhs (including arrear of 2015-16 Rs.4.79 lakhs included in 2016-17)	90,00,000	60,00,000	1,50,00,000	14.15
Karnataka Bank TL 5	1,70,00,000	9,30,00,000	11,00,00,000	13.25	3 monthly instalments of Rs.40 lakhs each, 12 monthly instalment of Rs.60 lakhs each, 10 monthly instalment of Rs.70 lakhs each and 1 monthly instalment of Rs.100 lakhs each, (2015-16 Rs.660 lakhs, 2016-17 Rs.810 lakhs and 2017-18 Rs.170 lakhs)(including arrear of 2015-16 Rs.120.00 lakhs included in 2016-17)	980,00,000	6,60,00,000	16,40,00,000	13.75
Karnataka Bank TL 6	4,70,00,000	30,00,000	5,00,00,000	13.50	6 monthly instalments of Rs.5 lakhs each, 48 monthly instalments of Rs.7.50 lakhs each and 11 monthly instalments of Rs.10 lakhs each (2016-17 Rs.30 lakhs, 2017-18 Rs.90 lakhs, 2018-19 Rs.90 lakhs, 2019-20 Rs.90 lakhs, 2020-21 Rs.90 lakhs, and 2021-22 Rs.110 lakhs)	-	-	-	-
HDFC Bank bus loan	2,82,397	7,94,085	10,76,482	10.01	36 monthly instalments	-	1,17,420	1,17,420	11.00
HDFC Bank bus loan	-	-	-	-	36 monthly instalments	-	1,71,428	1,71,428	10.51
HDFC Bank bus loan	-	-	-	-	36 monthly instalments	-	2,85,715	2,85,715	10.51



**Notes annexed to and forming part of the Financial Statements (Contd..)**  
**3.16 Details of Long Term Borrowings: (Contd..)**

	Bank Name	March 31, 2016				Rate of Interest %	Particulars of Repayment	March 31, 2015			Rate of Interest %
		Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %			Non Current Rupees	Current Rupees	Total Rupees	
ii)	<b>Cash credit from banks</b>										
	State Bank of India		14,87,67,519	14,87,67,519	13.20/ 13.05	On demand		14,36,24,340	14,36,24,340	13.75	
	State Bank of India-SLC		2,41,57,924	2,41,57,924	14.20	On demand		-	-	-	
	State Bank of India adhoc		-	-	-	On demand		5,06,37,690	5,06,37,690	14.75	
	Karnataka Bank		15,17,16,123	15,17,16,123	13.25	On demand		13,33,10,178	13,33,10,178	13.75	
	Karnataka Bank adhoc		-	-	-	On demand		5,05,84,146	5,05,84,146	13.75	
	Axix Bank		2,62,30,112	2,62,30,112	12.50	On demand		2,61,75,726	2,61,75,726	13.15	
iii)	<b>Short term loan from banks</b>										
		21,15,62,494	53,14,64,763	74,30,27,257				22,68,80,000	54,17,00,643		
<p>(i) Term loans from banks aggregating Rs.39,10,79,097 (March 31, 2015 Rs.35,27,20,000) are secured by a first charge on the Company's fixed assets subject to the charge stated in (ii) to (v) infra and secured by a second charge on the Company's current assets; (ii) Term loans from banks to an extent of Rs.Nil (March 31, 2015 Rs.1,09,00,000) are secured by a first charge on the Company's wind mills; (iii) Term loans from banks to an extent of Rs.10,76,482 (March 31, 2015 Rs.6,28,563) are secured by hypothecation of certain buses and cars; (iv) Cash credit facilities are secured by a first charge on the Company's current assets except the stock of cotton pledged for goods loan facility and by a second charge on the Company's fixed assets excluding the charges mentioned in (ii) to (iii) supra; (v) All the above loans are guaranteed by three directors.</p>											
b.	<b>Unsecured Loans :</b>										
	Fixed deposits	10,93,27,000	1,72,25,000	12,65,52,000	11 / 12	Repayable in 2016-17 Rs.172.25 lakhs, 2017-18 Rs.528.28 lakhs and 2018-19 Rs.564.99 lakhs		9,54,50,000	-	9,54,50,000	11.00
	Inter corporate loan	4,00,00,000	-	4,00,00,000	13.95	Repayable in April 2017		-	-	-	-
		14,93,27,000	1,72,25,000	16,65,52,000				9,54,50,000	-	9,54,50,000	



**Notes annexed to and forming part of the Financial Statements (Contd..)**  
**3.17 Employee benefits -**  
**(i) Defined Employee benefit plans - As per Actuarial valuation as on March 31, 2016**

	Gratuity (funded)					Compensated absences (unfunded)					Rs. lakhs	
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12		
A. Expenses recognised in the statement of profit and Loss Accounting for the year ended Mar 31, 2016												
(i) Current service cost	19.14	21.34	19.86	16.38	14.40	1.20	0.87	0.89	1.08	1.02		
(ii) interest cost	18.18	14.14	14.81	12.06	9.90	11.23	11.29	10.13	10.47	9.40		
(iii) Expected return on plan assets	-8.29	-6.09	-9.02	-7.63	-6.81	-	-	-	-	-		
(iv) Net actuarial (gain) / loss recognised during the year	-12.60	13.14	9.57	-6.42	14.10	-7.47	4.92	-10.73	-5.35	-7.53		
Total expenses	16.43	42.53	35.22	14.39	31.59	4.96	17.08	0.29	6.20	2.89		
B. Actual return on plan assets												
(i) Expected return on plan assets	8.29	6.09	9.02	7.63	6.81	-	-	-	-	-		
(ii) Actuarial (gain) / loss on plan assets	4.69	-17.84	14.38	13.18	3.78	-	-	-	-	-		
(iii) Actual return on plan assets	12.98	-11.75	23.40	20.81	10.59	-	-	-	-	-		
C. Net asset / (liability) recognised in the balance sheet												
(i) Present value of the obligation	243.77	237.22	191.33	176.55	160.31	148.88	143.92	126.84	126.56	120.36		
(ii) Fair value of plan assets	100.39	110.26	106.90	127.34	84.31	-	-	-	-	-		
(iii) Funded status (surplus/deficit)	-143.39	-126.96	-84.43	-49.21	-75.99	-148.88	-143.92	-126.84	-126.56	-120.36		
(iv) Unrecognised past service cost	-	-	-	-	-	-	-	-	-	-		
(v) Net Asset / (liability) recognised in the balance sheet	-143.39	-126.96	-84.43	-49.21	-75.99	-148.88	-143.92	-126.84	-126.56	-120.36		
D. Change in Present value of the obligation during the year												
(i) Present value of the obligation as at beginning of the year	237.22	191.33	176.55	160.31	129.28	143.92	126.85	126.56	120.36	117.47		
(ii) Current service cost	19.14	21.34	19.86	16.38	14.40	1.20	0.87	0.89	1.08	1.02		
(iii) interest cost	18.19	14.14	14.81	12.06	9.90	11.23	11.29	10.13	10.47	9.40		
(iv) Benefits paid	-13.47	-20.57	-29.46	-18.97	-11.16	-	-	-	-	-		
(v) Actuarial (gain) / loss on obligation	-17.31	30.98	9.57	6.76	17.89	-7.47	4.91	-10.73	-5.35	-7.53		
(vi) Present value of obligation as at end of the year	243.77	237.22	191.33	176.55	160.31	148.88	143.92	126.85	126.56	120.36		



**Notes annexed to and forming part of the Financial Statements (Contd..)**

**3.17 Employee benefits - (Contd..)**

	Rs. lakhs									
	Gratuity (funded)					Compensated absences (unfunded)				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
E. Change in assets during the year										
(i) Fair value of plan assets as at beginning of the year	110.26	106.89	127.34	84.31	84.88	-	-	-	-	-
(ii) Expected return on plan assets	8.29	6.09	9.02	7.63	6.81	-	-	-	-	-
(iii) Contributions	-	-	14.38	41.19	-	-	-	-	-	-
(iv) Benefits paid	-13.47	-20.57	-29.46	-18.97	-11.16	-	-	-	-	-
(v) Actuarial (gain) / loss on plan assets	-4.69	17.85	14.38	13.18	3.78	-	-	-	-	-
(vi) Fair value of plan assets as at end of the year	100.39	110.26	106.89	127.34	84.31	-	-	-	-	-
F. Experience adjustments in										
(i) Plan liabilities - loss(gain)	-17.31	30.98	9.57	6.76	17.89	-7.47	4.92	-10.73	-5.35	-7.53
(ii) Plan assets - loss(gain)	-4.69	-17.84	14.38	13.18	3.78	-	-	-	-	-
G. Major categories of plan assets as a percentage of total plan										
(i) Government of india securities	-	-	-	-	6%	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded
(ii) State Government Securities	5%	5%	5%	5%	8%	-	-	-	-	-
(iii) High Quality Corporate bonds	-	-	-	-	-	-	-	-	-	-
(iv) Special Deposit Scheme	-	-	-	-	-	-	-	-	-	-
(v) Other (Bank deposits)	34%	34%	34%	34%	46%	-	-	-	-	-
(vi) SBI Life insurance company	61%	61%	61%	61%	40%	-	-	-	-	-
(vii) Total	100%	100%	100%	100%	100%	-	-	-	-	-
H. Actuarial Assumptions										
(i) Discount rate	7.89%	7.81%	9.15%	8%	8%	8.10%	7.81%	8.90%	8%	8%
(ii) Salary escalation rate	3.5%	4%	4%	4%	4%	7.50%	4.00%	7.50%	7.50%	4%
(iii) Attrition rate	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
(iv) Expected return on plan assets	8%	8%	8%	8%	8%	0%	0%	0%	0%	0%



**Notes annexed to and forming part of the Financial Statements (Contd..)**

In the above actuarial valuation the estimated of future salary increases have reckoned the effect of inflation, seniority, promotion and other relevant factors.

ii) Gratuity fund is administered through group gratuity scheme with SBI Life Insurance and by the Gratuity Trust through trustees.

iii) During the year, the company has recognised the following amounts in the Statement of Profit and Loss:

Salaries, wages and bonus include compensated absences of Rs.9,21,541 (2014-15 Rs.21,12,807) Contribution to provident, gratuity and other funds include contribution to provident fund and family pension fund contribution of Rs.53,71,762 (2014-15 Rs.58,91,503) and gratuity fund of Rs.16,43,209 (2014-15 Rs.42,52,797). Workmen and staff welfare expenses include contribution to employees state insurance of Rs.20,94,968 (2014-15 Rs.22,81,226)

**3.18 CSR EXPENDITURE****Rs. Lakhs**

Particulars	2015-16	2014-15
(a) Gross amount required to be spent by the Company during the year	11.94	–
(b) Amount spent during the year on:		
(i) Construction / acquisition of any asset	–	–
(ii) Purposes other than (i) above	1.65	–

**3.19 Disclosure as required under Section 186 (4) of the Companies Act, 2013:****Rs. Lakhs**

Particulars	2015-16	2014-15	Purpose
a) Loans	–	–	–
b) Investment (refer note 1.11 to the financial statements)	246.29	246.29	–
c) Guarantees	–	–	–

**3.20** The figures for the previous periods have been reclassified/regrouped/amended, wherever necessary.

Signatures to Statement of Accounting Policies and Notes to Financial Statements

For and on behalf of the Board

**R. Selvarajan**  
Chairman and Managing Director  
DIN : 00001703

**S. Devarajan**  
Director  
DIN : 00001910

Salem,  
May 21, 2016

**J. Asifa**  
Company Secretary

**S. Vijay Shankar**  
Chief Financial Officer



## INDEPENDENT AUDITOR'S REPORT

### To the Members of Kandagiri Spinning Mills Limited Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Kandagiri Spinning Mills Limited ("the Investee Company") and its associate, comprising of the Consolidated Balance Sheet as at March 31, 2016, the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

### Management's Responsibility for the Consolidated Financial Statements

2. The investee Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, as applicable. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Investee Company, as aforesaid.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Investee Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Investee Company's Directors, as well as evaluating the overall presentation of the consolidated financial statements.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Company as at March 31, 2016, and its consolidated profit and its consolidated cash flows for the year ended on that date.



**Other Matters**

8. The consolidated financial statement includes the Group's share of net profit of Rs.23.65 lakhs for the year ended March 31, 2016, as considered in the consolidated financial statements, in respect of one associate, whose financial statement has been audited by us.

**Report on Other Legal and Regulatory Requirements**

9. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - b. in our opinion proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditor;
  - c. the Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
  - d. in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, as applicable.
  - e. On the basis of written representations received from the directors of the Investee company as on March 31, 2016 taken on record by the Board of Directors of the Investee Company and the report of the other statutory auditor of its associate company, none of the directors of the Group's Companies and its associate is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
  - f. With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our report in "Annexure A" which is based on the auditors' report of the Investee Company and associate Company.
  - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i) The consolidated financial statements have, in accordance with the generally accepted accounting practice, disclosed the impact of pending litigations on its consolidated financial position in its consolidated financial statements.
    - ii) The Investee Company and its associates did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses under the applicable law or accounting standards.
    - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Investee Company and its associates.

For **M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Firm registration No.01554S

**R. Krishnen-Partner**  
Membership No.201133

Salem  
May 21, 2016



**ANNEXURE 'A' TO THE INDEPENDENT AUDITORS' REPORT**

(Referred to in paragraph 11(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")**

1. We have audited the internal financial controls over financial reporting of **Kandagiri Spinning Mills Limited** (hereinafter referred to as "the Investee Company") and its associate company, which are companies incorporated in India, as of March 31, 2016 in conjunction with our audit of the consolidated financial statements of the Investee Company for the year then ended.

**Management's Responsibility for Internal Financial Controls**

2. The respective Board of Directors of the Investee Company and its associate company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

3. Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Investee Company and its associate Company, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing, deemed to be prescribed under Section 143 (10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting assessing the risk that a material weakness exist, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained in respect of Investee company and its associate company, which are companies incorporated in India, in terms of our reports referred to in the paragraph 9 below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the aforesaid entities.



**Meaning of Internal Financial Controls Over Financial Reporting**

- 6 A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

8. In our opinion, to the best of our information and according to the explanations given to us and taking into consideration the reports of the associate company referred to in the paragraph 9, the Investee Company and its associate company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

**Other Matters**

9. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one associate company, which are companies incorporated in India, is based on the corresponding reports issued by us.

**For M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Firm registration No.01554S

Salem  
May 21, 2016

**R. Krishnen-Partner**  
Membership No.201133

# Kandagiri Spinning Mills Limited



## Consolidated Balance Sheet as at March 31, 2016

Particulars	Note No.	As at March 31, 2016	
		Rupees	Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	1.1	3,85,74,500	
Reserves and surplus	1.2	<u>35,69,50,854</u>	39,55,25,354
<b>Non-Current liabilities</b>			
Long - term borrowings	1.3	36,08,89,494	
Deferred tax liabilities (Net)	1.4	16,83,83,772	
Long - term provisions	1.5	<u>1,48,87,614</u>	54,41,60,880
<b>Current liabilities</b>			
Short - term borrowings	1.6	35,08,71,678	
Trade payables	1.7		
(a) total outstanding dues of micro enterprises and small enterprises		1,23,789	
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		12,71,45,833	
Other current liabilities	1.8	22,09,45,093	
Short - term provisions	1.9	<u>2,54,890</u>	
			<u>69,93,41,283</u>
<b>TOTAL</b>			<b><u>163,90,27,517</u></b>
<b>ASSETS</b>			
<b>Non-Current assets</b>			
Fixed assets			
Tangible assets	1.10	92,97,49,784	
Capital work-in-progress	1.10	<u>-</u>	
		92,97,49,784	
Non-current investments	1.11	1,40,96,005	
Long-term loans and advances	1.12	13,01,97,775	
Other non-current assets	1.13	<u>-</u>	
			107,40,43,564
<b>Current assets</b>			
Inventories	1.14	35,99,78,409	
Trade receivables	1.15	18,04,19,349	
Cash and bank balances	1.16	69,49,012	
Short-term loans and advances	1.17	1,39,62,004	
Other current assets	1.18	<u>36,75,179</u>	
			56,49,83,953
<b>TOTAL</b>			<b><u>163,90,27,517</u></b>

Significant Accounting Policies and Notes to the consolidated Financial Statements are an integral part of this consolidated Balance Sheet

As per our report of even date  
For **M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Firm Registration No. 01554S

**R. Krishnen** - Partner  
Membership No. 201133  
Salem  
May 21, 2016

For and on behalf of the board

**R. Selvarajan**  
Chairman and Managing Director  
Din No. : 00001703

**J. Asifa**  
Company Secretary

**S. Devarajan**  
Director  
Din No. : 00001910

**S. Vijay Shankar**  
Chief Financial Officer


**Consolidated Statement of Profit and Loss for the year ended March 31, 2016**

Particulars	Note No.	Rupees	For the year ended March 31, 2016 Rupees
<b>Income</b>			
Revenue from operations	2.1	144,73,07,502	
Other income	2.2	<u>26,74,091</u>	
Total Revenue			144,99,81,593
<b>Expenses</b>			
Cost of materials consumed	2.3	93,27,27,122	
Changes in inventories of finished goods and stock-in-trade	2.4	<u>(6,76,77,258)</u>	
		86,50,49,864	
Employee benefits expense	2.5	19,10,35,468	
Finance cost	2.6	12,43,66,063	
Depreciation and amortization expense	2.7	7,58,67,245	
Other Expenses	2.8	<u>30,70,39,196</u>	
Total Expenses			156,33,57,836
<b>Profit /(Loss) before exceptional items and tax</b>			(11,33,76,243)
<b>Exceptional item</b>			-
<b>Profit / (Loss) before tax</b>			<u>(11,33,76,243)</u>
<b>Tax expense :</b>			
Current tax		-	
Deferred tax - liability (asset)		-	
			-
<b>Profit /(Loss) for the year from continuing operations</b>			(11,33,76,243)
Share of profit of associate			<u>23,64,922</u>
<b>Profit /(Loss) for the year</b>			<u>(11,10,11,321)</u>
<b>Earnings per Equity share (Face value Rs. 10)</b>			
<b>Basic and Diluted (in Rs.)</b>			(28.84)

Significant Accounting Policies and Note to the consolidated Financial Statements are an integral part of this consolidated Statement of Profit and Loss

As per our report of even date  
For **M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Firm Registration No. 01554S

**R. Krishnen** - Partner  
Membership No. 201133

Salem  
May 21, 2016

For and on behalf of the board

**R. Selvarajan**  
Chairman and Managing Director  
Din No. : 00001703

**J. Asifa**  
Company Secretary

**S. Devarajan**  
Director  
Din No. : 00001910

**S. Vijay Shankar**  
Chief Financial Officer


**Consolidated Cash Flow Statement for the period ended March 31, 2016**

Particulars	As at March 31, 2016 Rupees
<b>1. Cash flows from operating activities</b>	
1.1 Profit / (Loss) before tax exceptional item and share of profit of associate	<b>(11,33,76,243)</b>
1.2 Adjustment for	
Depreciation and amortisation	7,58,67,245
Loan raising expenditure - amortised	4,17,362
- incurred	
Amount considered under investing activities	
Profit / (Loss) on disposal of assets	(37,305)
Income from investments	(1,80,000)
Amount considered under financing activities	
Interest paid	12,43,66,063
Interest received	(24,56,786)
Provision for diminution in value of long term investments	-
1.3 Operating profit before working capital changes	<b>8,46,00,336</b>
1.4 Adjustment for changes in	
Increase / (Decrease) in trade payables	42,45,517
Increase / (Decrease) in long term provisions	4,95,517
Increase / (Decrease) in short term provisions	(2,24,939)
Increase / (Decrease) in other current liabilities	24,48,317
Decrease / (Increase) in trade receivables	(8,69,80,660)
Decrease / (Increase) in inventories	7,18,11,620
Decrease / (Increase) in long term advances	73,81,866
Decrease / (Increase) in short term advances	(10,80,890)
Decrease / (Increase) in other current assets	32,20,077
<b>1.5 Cash generated from operating activities</b>	<b>8,59,16,761</b>
1.6 Income tax paid/(refunded)	(20,75,478)
<b>Net cash flow from operating activities before exceptional items</b>	<b>8,38,41,283</b>
Exceptional items	-
<b>Net cash flow from operating activities [A]</b>	<b>8,38,41,283</b>
<b>2. Cash flows from investing activities</b>	
2.1 Purchase of tangible assets, intangible assets, CWIP and capital advances	(1,40,33,038)
2.2 Proceeds from sale of tangible assets	56,000
2.3 Refund of terminal excise duty	-
2.4 Investment in equity shares	-
2.5 Interest received	24,56,786
2.6 Dividend received	1,80,000
2.7 Changes in Advances (Net)	
<b>Net cash flow used in investing activities [B]</b>	<b>(1,13,40,252)</b>




**Consolidated Cash Flow Statement for the period ended March 31, 2016 (contd..)**

Particulars	As at March 31, 2016 Rupees
<b>3. Cash flows from financing activities</b>	
3.1 Proceeds from long term borrowings	18,28,10,548
3.2 Repayments of long term borrowings	(12,38,01,532)
3.3 Proceeds from short term borrowings	-
3.4 Repayments of short term borrowings	-
3.5 Inter corporate Loan	
Related Party – received	4,00,00,000
3.6 Changes in cash credit facilities	(5,34,60,402)
3.7 Interest paid - Net	(12,43,66,063)
3.8 Dividend paid on equity shares	-
3.9 Dividend Tax paid on equity dividend paid	-
<b>Net cash flow from financing activities [C]</b>	<b>(7,88,17,449)</b>
<b>Net cash inflow / (outflow) [A+B+C]</b>	<b>(63,16,418)</b>
<b>Opening cash and cash equivalents</b>	<b>67,45,690</b>
<b>Closing cash and cash equivalents</b>	<b>4,29,272</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(63,16,418)</b>
<b>Notes to the cash flow statement</b>	
Components of cash and cash equivalents:	
Cash and bank balances excluding unclaimed dividend and earmarked deposits held by banks as margin money	4,29,272
	<b>4,29,272</b>

As per our report of even date  
For **M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Firm Registration No. 01554S

**R. Krishnen** - Partner  
Membership No. 201133

Salem  
May 21, 2016

For and on behalf of the board

**R. Selvarajan**  
Chairman and Managing Director  
Din No. : 00001703

**J. Asifa**  
Company Secretary

**S. Devarajan**  
Director  
Din No. : 00001910

**S. Vijay Shankar**  
Chief Financial Officer


**Notes annexed to and forming part of the Consolidated Financial Statements**

Particulars	As at March 31, 2016 Rupees	
<b>1.1 Share Capital</b>		
<b>Authorised</b>		
<b>Equity Share Capital</b>		
50,00,000 (2015 : 50,00,000) Equity shares of Rs.10 each with voting rights		5,00,00,000
<b>Issued</b>		
38,65,650 (2015 : 38,65,650) Equity shares of Rs.10 each with voting rights		3,86,56,500
<b>Subscribed</b>		
38,49,250 (2015 : 38,49,250) Equity shares of Rs.10 each fully paid with voting rights		3,84,92,500
Add Forfeited shares (amount originally paid up in respect of 16,400 equity shares)		82,000
		<b>3,85,74,500</b>
<b>Notes :</b>		
1. Reconciliation of Number of Shares		
Equity Shares with voting rights		
Shares outstanding as at April 1, 2015		38,49,250
Shares outstanding as at March 31, 2016		38,49,250
2. Shares issues in preceeding five years		NIL
3. Shareholders holding more than 5% of the total share capital:		
<u>Name of the shareholder</u>	<u>No. of shares</u>	
	2016	%
R. Selvarajan	7,78,730	20.23
S. Vijay Shankar	4,09,582	10.64
4. Rights and restrictions in respect of equity shares		
The company has one class of equity shares having a par value of Rs.10 each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, holder of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amount. The distribution will be in proportion to the number of equity shares held by the shareholders.		
<b>1.2 Reserves and Surplus</b>		
<b>a) Securities Premium as at the beginning and end of the year</b>		5,48,61,631
<b>b) Revaluation Reserve</b>		
As at the beginning of the year	21,37,52,760	
Transfer to General reserve (refer note no.3.10 to the Financial Statements)	27,01,821	
As at the end of the year		21,10,50,939
<b>c) General Reserve</b>		
As at the beginning of the year	22,02,01,821	
Transfer from Revaluation Reserve (refer note no.3.10 to the Financial Statements)	27,01,821	
Transfer from Statement of Profit and Loss	-	
As at the end of the year		22,29,03,642
<b>d) Surplus/(Deficit) - balance in Statement of Profit and Loss</b>		
As at the beginning of the year	(1,24,85,620)	
Add : Current year profit / (Loss)	(11,10,11,321)	
Add : Group share of loss as on April 1, 2015	(83,68,417)	
As at the end of the year		<b>(13,18,65,358)</b>
		<b>35,69,50,854</b>


**Notes annexed to and forming part of the Consolidated Financial Statements (contd..)**

Particulars	As at March 31, 2016 Rupees
<b>1.3 Long term borrowings</b>	
Secured - Term loans from banks	21,15,62,494
Unsecured - Fixed deposits	10,93,27,000
- Intercorporate Loan from related party (Refer note no.3.9 to the Financial Statements)	4,00,00,000
	<b><u>36,08,89,494</u></b>
<b>Notes:</b>	
i) Refer note no.3.17 to the Financial Statements for the terms of loans	
ii) Fixed deposits includes deposits from directors Rs.11,87,13,000 (2015 : Rs.6,98,63,000)	
<b>1.4 Deferred tax liabilities (net)</b> (Refer note no.3.16 to the Financial Statements)	
Deferred tax liabilities	
- Timing differences on account of depreciation	18,62,19,619
Deferred tax assets	
- Unabsorbed tax depreciations and loss	1,30,55,152
- Provision for employees benefit	47,80,695
	<b><u>16,83,83,772</u></b>
<b>1.5 Long term provisions</b>	
Provision for employee benefit Compensated absences	1,48,87,614
	<b><u>1,48,87,614</u></b>
<b>1.6 Short term borrowings</b>	
<b>Secured from banks</b>	
Cash credit facilities	35,08,71,678
	<b><u>35,08,71,678</u></b>
<b>Notes :</b>	
Refer note no.3.17 to the Financial Statements for the terms of loans	
<b>1.7 Current Liabilities - Trade payables</b>	
Trade payables - including acceptances	
Micro, Small and Medium enterprises	1,23,789
Other trade payables	12,71,45,833
	<b><u>12,72,69,622</u></b>
<b>1.8 Other current liabilities</b>	
Current maturities of Long term debts	19,78,18,085
Interest accrued but not due on borrowings	2,24,015
Interest accrued and due on borrowings	95,21,699
Unclaimed dividends	3,01,902
Other payables	1,30,79,392
	<b><u>22,09,45,093</u></b>
<b>Notes :</b>	
i) Refer note no.3.17 to the Financial Statements for terms of current maturities of long term debts	
ii) Other payables include :	
- contribution payable to Gratuity Fund	94,18,002
- advance from customers	7,06,568
- sales tax payable	-
<b>1.9 Short term provisions</b>	
Provision for employee benefit Compensated absences	2,54,890
	<b><u>2,54,890</u></b>



Description	Gross block (Cost / valuation)				Depreciation / amortisation / impairment				NET BLOCK	
	As on 01.04.2015	Additions	Deductions	As on 31.03.2016	Upto 31.03.2015	Charge during the year	Deductions/ Adjustments	Upto 31.03.2016	As on 31.03.2016	Rupees
Land - freehold	16,14,57,056			16,14,57,056					16,14,57,056	
Buildings	38,97,98,350	1,40,869		38,99,39,219	11,90,63,741	1,16,87,565		13,07,51,306	25,91,87,913	
Plant and machinery	110,33,88,300	171,92,191		112,05,80,491	70,60,35,478	4,18,00,089		74,78,35,567	37,27,44,924	
Wind energy converters	48,14,81,624	6,56,000		48,21,37,624	33,38,69,613	2,02,36,091		35,41,05,704	12,80,31,920	
Furniture and fittings	29,19,156			29,19,156	20,01,748	2,11,378		22,13,126	7,06,030	
Vehicles	1,76,18,450	21,94,119	4,04,264	1,94,08,305	105,52,443	19,07,326	3,85,569	1,20,74,200	73,34,105	
Office Equipment	32,10,014			32,10,014	31,24,323	24,796		31,49,119	60,895	
Live stock	2,26,941			2,26,941					2,26,941	
<b>TOTAL</b>	<b>216,00,99,891</b>	<b>201,83,179</b>	<b>4,04,264</b>	<b>217,98,78,806</b>	<b>117,46,47,346</b>	<b>7,58,67,245</b>	<b>3,85,569</b>	<b>125,01,29,022</b>	<b>92,97,49,784</b>	
Previous year	215,21,93,844	79,06,047		216,00,99,891	109,64,80,158	7,53,89,207		117,46,47,346	98,54,52,545	
Capital work in progress										
Previous year				27,20,141						

**Note :**

i) Borrowing cost capitalised - Rs. Nil (2015 Rs. Nil)


**Notes annexed to and forming part of the Consolidated Financial Statements (contd..)**

Particulars	As at March 31, 2016 Rupees
<b>1.11 Non-Current Investments</b>	
<b>Non-Trade Investments</b>	
Investments in Equity instruments	
i) Associates	
20,00,000 (2015 : 20,00,000) Equity shares of Rs.10 each in SPMM Health Care Services Private Limited	2,00,00,000
Less Group share of loss as on March 31, 2015	1,28,97,417
Add Current year group share of profit	23,64,922
Carrying amount of investment	<u>94,67,505</u>
ii) Others	
90,000 (2015 : 90,000) Equity shares of Rs.10 each in Sambandam Spinning Mills Limited #	45,00,000
220 (2015 : 220) Equity shares of Rs.10 each in ARS Energy Private Limited	60,500
500 (2015 : 500) Equity shares of Rs.10 each in Suryadev Alloys and Power Private Limited	68,000
	<u>1,40,96,005</u>
<b>Notes :</b>	
i) All investments are fully paid-up	
ii) Quoted investments (#) - Cost	45,00,000
- Market value	59,85,000
iii) Unquoted investments - Cost	95,96,005
<b>1.12 Long term Loans and advances</b>	
Unsecured, considered good	
Capital advances	53,89,600
Security deposits	2,60,23,198
Other loans and advances	
- employee advances	1,64,602
- Sales tax, ESI and others paid under protest	2,96,73,623
- Advance income tax (net of provisions)	27,68,518
- MAT credit entitlement	6,61,78,234
	<u>13,01,97,775</u>
<b>1.13 Other Non-current assets</b>	
Unamortised loan raising expenses	-
	<u>-</u>
<b>1.14 Inventories</b>	
Raw materials - Cotton	10,38,12,329
Work-in-progress - Cotton in process	14,57,87,169
Finished goods - Yarn	9,27,91,936
- Process waste	1,33,53,315
Stores and spares	42,33,660
	<u>35,99,78,409</u>


**Notes annexed to and forming part of the Consolidated Financial Statements (contd..)**

Particulars	As at March 31, 2016 Rupees
<b>1.15 Trade receivables</b>	
Unsecured, considered good	
Trade receivables	
Outstanding for morethan six months from the date they are due for payment	69,500
Others	<u>18,03,49,849</u>
	<u>18,04,19,349</u>
<b>1.16 Cash and bank balances</b>	
<b>(i) Cash and cash equivalents</b>	
Balances with banks in Current account	3,57,036
Cash on hand	<u>72,236</u>
	4,29,272
<b>(ii) Other bank balances</b>	
Earmarked balances with Banks	
- Unclaimed dividend accounts	3,01,902
- Liquid assets deposits *	-
Deposits with Banks held as margin money	62,17,838
* under Companies (Acceptance of Deposits) Rules, 2014 of the above Bank deposits with morethan 12 months maturities Rs. 62,17,838 2015 Rs. 34,56,700)	
	<u>69,49,012</u>
<b>1.17 Short-term loans and advances</b>	
Unsecured, considered good	
Material advances	23,03,330
Employee advances	4,65,806
Other receivables	<u>1,11,92,868</u>
	1,39,62,004
Of the above,	
Other receivables include :	
- VAT credit	6,26,313
- Prepaid expenses	80,35,456
<b>1.18 Other current assets</b>	
Interest accrued on deposits	2,58,559
Interest subsidy receivable	31,72,601
Export incentive receivable	-
Unamortised loan raising expenses	<u>2,44,019</u>
	<u>36,75,179</u>


**Notes annexed to and forming part of the Consolidated Financial Statements (contd..)**

Particulars	For the year ended March 31, 2016 Rupees
<b>2.1 Revenue from operations</b>	
Sale of products	
Yarn	141,07,93,942
Fabric	60,90,037
Process waste	3,09,39,613
	<u>144,78,23,592</u>
Other operating revenues	
Scrap sales	4,39,596
Export incentives	5,47,265
	<u>144,88,10,453</u>
Less Trade rebate and discounts	15,02,951
	<u><b>144,73,07,502</b></u>
<b>2.2 Other income</b>	
Interest income from	
Security deposits and bank deposits	24,56,786
Dividend income from Non-current investments	1,80,000
Profit on sale of assets	37,305
Net gain on foreign currency transactions and translations	-
	<u><b>26,74,091</b></u>
<b>2.3 Cost of materials consumed</b>	
Cotton	91,66,76,368
Others	1,60,50,754
	<u><b>93,27,27,122</b></u>
<b>Of the above</b>	
Imported items - Amount	6,40,49,780
- Percentage	6.87
Indigenous items - Amount	86,86,77,342
- Percentage	93.13
<b>2.4 Changes in Inventories of finished goods and work-in-progress</b>	
Work-in-progress	(2,15,96,166)
Finished goods	(4,60,81,092)
Net change in inventories	<u>(6,76,77,258)</u>
<b>2.5 Employee benefits expense</b>	
Salaries, wages and bonus	17,50,92,046
Contribution to provident, gratuity and other funds	70,14,971
Welfare expenses	89,28,451
	<u>19,10,35,468</u>
<b>2.6 Finance costs</b>	
Interest	12,43,66,063
Other borrowing costs	-
	<u>12,43,66,063</u>
Other borrowing costs include amortisation on :	
Premium on forward contracts	-



## Notes annexed to and forming part of the Consolidated Financial Statements (contd..)

Particulars	For the year ended March 31, 2016 Rupees
<b>2.7 Depreciation and amortisation expense</b>	
<b>Tangible assets</b>	
Buildings	1,16,87,565
Plant and machinery	4,18,00,089
Wind energy converters	2,02,36,091
Furniture and fittings	2,11,378
Office equipments	24,796
Vehicles	19,07,326
Total depreciation on tangible assets	<u>7,58,67,245</u>
<b>2.8 Other expenses</b>	
Conversion charges	46,72,117
Consumption of stores and spares	1,56,14,561
Power and fuel-net	19,61,62,776
Repairs and maintenance	
- Buildings	6,94,942
- Plant and machinery	2,33,77,693
Insurance	11,14,644
Rates and taxes	14,97,521
Packing and forwarding chages	2,32,97,972
Brokerage and commission on sales	1,40,30,925
Travel and vehicle upkeep expenses	1,00,35,107
Donation and charity	15,250
CSR expenses	1,65,360
Printing and stationery	6,43,194
Directors' sitting fees	16,40,000
Bank and other financial charges	83,02,127
Miscellaneous expenses	57,75,007
	<u>30,70,39,196</u>





**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2016**

- 1) Basis of preparation of consolidated financial statements - The consolidated financial statements of the investee company and its associates ("the Group") have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) to comply with the Accounting standards prescribed under section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act"), as applicable. The consolidated financial statements have been prepared on accrual basis under the historical cost convention except in so far as they relate to revaluation of net assets.

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the revised schedule II to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Group has determined its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

- 2) Use of estimates – The preparation of the consolidated financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements, disclosure of contingent liabilities and reported amounts of revenues and expenses for the year. Estimates are based on historical experience, where applicable and other assumptions that management believes are reasonable under the circumstances. Actual results could vary from these estimates and any such differences are dealt with in the period in which the results are known/materialise.

- 3) Revenue recognition – Revenue from sale of products is recognized on despatch of goods to customers in accordance with the terms of sales. Revenue from services is recognized in accordance with the specific terms of contract on performance. Other operating revenues comprise of income from ancillary activities incidental to the operations of the company and is recognized when the right to receive the income is established as per the terms of the contract.

Revenue from service is recognized when the service to the customers, which is generally on completion of services. Insurance claims are accounted, as and when settled or received.

- 4) Other Income – Interest and rental income are accounted on accrual basis. Dividend income is accounted when the right to receive is established.

- 5) Foreign currency transactions – Foreign currency transactions (including booking/cancellation of forward contracts) are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency, other than those covered by forward exchange contracts, are translated at year end foreign exchange rates. Exchange differences arising on settlements are recognized in the Statement of Profit and Loss. In case of forward exchange contracts which are entered into hedge the foreign currency risk of a receivable/payable recognized in these financial statements, premium or discount on such contracts are amortised over the life of the contract and exchange differences arising thereon in the reporting period are recognised in the Statement of Profit and loss. Forward exchange contracts which are arranged to hedge the foreign currency risk of a firm commitment is marked to market at the year end and the resulting losses, if any, are charged to the Statement of Profit and loss.

- 6) Employee benefits – (i) Short term employee benefit obligations are estimated and provided for; (ii) Post employment benefits and other long term employee benefits – (1) Company's contribution to provident fund, labour welfare fund, employees state insurance corporation and other funds are determined under the relevant schemes and /or statute and charged to revenue; (2) Company's liability towards gratuity and compensated absences are actuarially determined at each balance sheet date using the projected unit credit method. Actuarial gains and losses are recognised in revenue.



**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2016 (contd...)**

- 7) Fixed Assets – Tangible fixed assets - All costs relating to acquisition of fixed assets net of value added tax and terminal excise duty refund under Export Promotion Capital Goods Scheme, subject to the economic life and the cost being in excess of certain limits, are capitalised. Expenditure directly related and incidental to construction are capitalized upto the date of attainment of commercial production. Interest and other related costs, including amortised cost of borrowings attributable only to major projects are capitalized as part of the cost of the respective assets. In the case of Wind energy converters, cost of land on which the converters have been erected is capitalised as cost of the said converters. Cost of structures on leasehold land, where the estimated useful life is more than ten years, is capitalized. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Intangible fixed assets – Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any duties and other taxes and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebate.

- 8) Depreciation/amortization – Tangible fixed assets - Depreciation on fixed assets is provided on straight line basis. Depreciation is provided based on useful life of the assets as prescribed in Schedule II to the Companies Act, 2013 except in respect of the following assets, where useful life is different than those prescribed in Schedule II are used:

Particulars	Depreciation
Plant and machinery (Continuous process Plant)	Over its useful life of 18 years as Technically assessed
Wind energy convertors	Over its useful life of 17 years as Technically assessed

- 9) Impairment of assets – The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be recognised in the Statement of Profit and Loss wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. Provision for impairment will be reviewed periodically and amended depending on changes in circumstances.
- 10) Investments – Non-current investments are stated at cost. However, provision for diminution is made to recognize a decline, other than temporary, in the value of the investment, if any. Current investments are valued at lower of cost and fair value.
- 11) Inventories – The governing principle of valuation of Inventories (other than process waste) is the lower of cost and net realisable value. The cost for the said purpose (i) in the case of stores and spare parts, is the weighted average cost (net of Cenvat credit/value added tax, if any), (ii) in the case of cotton in process and manufactured yarn, is the cost adopting the absorption costing method, and (iii) is without deduction of the adjustment made for power generated through Wind energy converters and adjusted against the cost of power purchased from state electricity board. Process waste is valued at net realizable value. Provision is made for obsolete, slow moving and damaged items of inventory, if any.



**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2016 (contd...)**

- 12) Government grants – Capital grants from government relating to depreciable assets are treated as deferred income and disclosed as a capital reserve and amortised over the useful life of the concerned asset. Cenvat credit relating to capital assets acquired is treated as capital reserve and amortised over the useful life of the concerned assets by transfer profit and loss account and considered under depreciation. Grants/incentives other than those mentioned above are reckoned in the profit and loss account in the year of eligibility.
- 13) Borrowing costs - Borrowing costs include exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Profit and Loss Statement in the period in which they are incurred.
- 14) Research and development – Revenue expenditure on research and development is charged to the profit and loss account as incurred. Capital expenditure on research and development, where the same represents cost of plant, machinery, equipment and other tangible assets, if any, is given the same accounting treatment as applicable to other capital expenditure.
- 15) Deferred tax - Deferred income tax charge reflects the impact of the current period timing differences between taxable income and accounting income, other than differences capable of getting reversed during the 'tax holiday' period, subject to consideration of prudence. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets/liabilities are reviewed as at each balance sheet date based on developments during the period and available case laws to reassess realisation/liabilities.
- 16) Provisions and contingencies - To recognise a provision when (i) the company has a present obligation as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. A disclosure of a contingent liability is made when there is a possible obligation that may, but probably will not, require outflow of resources. Where there is possible obligation or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.
- 17) Cash flow statement – Cash flow statements are reported using the indirect method, whereby profit/(loss) before extra-ordinary items/exceptional items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipt or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on available information including taxes paid relating to these activities.



### 3. Notes annexed to and forming part of the Consolidated Financial Statements

#### 3.1 Basis of consolidation

The Consolidated Financial Statements relate to 'Kandagiri Spinning Mills Limited' (the Investee Company) and its associate company 'SPMM Health Care Services Private Limited' together constitute "the Group".

#### Principles of Consolidation

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" and Accounting Standard 23 (AS 23) "Accounting for Investment in Associates in Consolidated Financial Statements" prescribed under section 133 of the Companies Act, 2013, as applicable.

The following associate companies have been considered in the preparation of Consolidated Financial Statements of the Group in accordance with Accounting Standard 23 "Accounting for Investment in Associates in Consolidated Financial Statements".

Sl. No.	Name of the Associate	Country of Incorporation	% of ownership Interest
1.	SPMM Health Care Services Private Limited	India	50%

March 31, 2016

#### 3.2 Information regarding Imports (c.i.f)

Raw materials	73,27,356
Machinery spares	41,78,233

#### 3.3 Foreign currency transactions and other financial information

##### (i) Expenditure in foreign currency

Interest	–
Travel	3,90,364
Others	45,673

##### (ii) Earnings in foreign currency

Export of goods (FOB value)	1,79,13,996
Others (freight recoveries)	–

##### (iii) Remittance of dividend to Non-Resident Shareholders

–

#### 3.4 Auditors' remuneration

(included under Miscellaneous expenses (refer Note 2.8 to the Financial statements))

(i) For financial audit	3,70,000
(ii) For cost audit	2,50,000
(iii) For taxation matters	1,55,000
(iv) For other services	1,65,000
(v) For reimbursement of expenses	1,38,243

#### 3.5 Contingent liabilities

(i) Claims against the company not acknowledged as debts	4,21,65,413
(ii) Bills discounted with banks	–
Out flow relating to above not practicable to indicate in view of the uncertainties involved	

3.6 Capital commitments not provided for (net of advances)	5,08,17,482
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## Notes annexed to and forming part of the Consolidated Financial Statements (contd...)

**March 31, 2016**  
**(Rupees)**

**3.7 Earnings per share**

Profit / (Loss) after taxation as per Statement of Profit and Loss (A)	(11,33,76,243)
Number of equity shares outstanding (B)	38,49,250
Basic and Diluted earnings per share (in Rupees) – Basic (A/B)	(29.45)

**3.8 Segment information**

The company's primary segment is identified as business segment based on nature of products, risks, return and the internal business reporting system (i.e. cotton yarn) and operates in a single geographical segment as per Accounting Standard 17.

**3.9 Related party disclosure**

(i) Related parties with whom transactions have taken place during the year

- (1) Key management personnel
  - Sri R. Selvarajan – Chairman and Managing Director
  - Sri S. Vijayshankar – Chief Financial Officer
  - Ms. J. Asifa – Company Secretary
- (2) Associate
  - SPMM Healthcare Services Private Limited
- (3) Parties where significant influence exists
  - S. Palaniandi Mudaliar Charitable Trust
  - Kandagiri Spinning Mills Gratuity Trust
  - Sambandam Siva Textiles Private Limited
  - Sambandam Spinning Mills Limited

(ii) Transactions with related parties

- (1) Key management personnel
  - R. Selvarajan
    - Interest payment 45,34,636
    - Dividend payment -
    - Remuneration 36,00,000
    - Fixed deposits received 1,49,00,000
    - Fixed deposits repaid -
    - Outstanding balances under Fixed deposits 4,49,94,000
  - S. Vijayshankar
    - Remuneration 30,00,000
    - Interest payment 39,30,000
    - Dividend payment -
    - Fixed deposits received 1,57,50,000
    - Fixed deposits repaid -
    - Outstanding balances under Fixed deposits 4,57,19,000
  - J. Asifa
    - Remuneration 4,00,200
- (2) Parties where significant influence exists
  - S. Palaniandi Mudaliar Charitable trust
    - Payments for employee welfare services 7,47,697



## Notes annexed to and forming part of the Consolidated Financial Statements (contd...)

	March 31, 2016 (Rupees)
Kandagiri Spinning Mills Gratuity trust	
- Contribution paid/payable	16,43,209
Sambandam Siva Textiles Private Limited	
- Sale of hank yarn obligation	-
Sambandam Spinning Mills Limited	
- Yarn testing charges paid	5,66,749
- Inter corporate loan received	4,00,00,000
- Interest paid on inter corporate loan	5,94,590
- Balance at the end of the year	4,05,94,590

- 3.10** Pursuant to the enactment of Companies Act, 2013 and according to the application guide on the provisions of Schedule II to the Companies Act, 2013, a sum of Rs.27,01,821, being the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on its original cost, has been transferred to General Reserve from Revaluation Reserve account.
- 3.11** The information required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company. There are no overdues to parties on account of principal amount and/or interest and accordingly no additional disclosures have been made; and (ii) There are no amounts remaining unpaid or unclaimed for a period of seven years in respect of unpaid dividend, matured fixed deposits and interest thereon from the date they became payable by the company and hence there are no amounts remaining to be credited to the Investor Education and Protection Fund.
- 3.12** Derivatives - The company uses derivative financial instruments such as forward contracts and option to hedge certain currency exposures, present and anticipated, denominated mostly in US dollars, Euro and Swiss Franks. Generally such contracts are taken for exposures materializing in the next six months. The company actively manages its currency rate exposures and uses these derivatives to mitigate the risk from such exposures. The company has hedged exposure of US \$ Nil (March 31, 2015 US \$ Nil) as at March 31, 2016 and has a net unhedged exposure of US \$ Nil (March 31, 2015 US\$ Nil) as at March 31, 2016.
- 3.13** Raw material consumed – others include consumption of yarn for manufacture of double yarn.
- 3.14** Power and fuel is net of value of power generated by Wind energy converters Rs.6,94,17,256 (2014-15 : Rs.8,63,00,718).
- 3.15** Human resources – Particulars of managerial remuneration (i) To Managing Director – Salary Rs.21,60,000 (2014-15 : Rs.21,60,000), Perquisites Rs.14,40,000 (2014-15 : Rs.14,40,000).
- 3.16** The Company has recognised deferred tax liability of Rs. 1,30,55,152/- representing timing differences on account of depreciation. As a matter of prudence and in accordance with Accounting Standard 22, accrual of deferred tax asset has been restricted (in view of unabsorbed losses under the Income Tax Act, 1961). An amount of Rs. 1,30,55,152/- has accordingly been accrued as deferred tax asset such that the impact of net deferred tax considered in the Statement of Profit and Loss of the current year is Rs. Nil. Deferred tax asset primarily comprises timing differences on allowances and unabsorbed losses/depreciation.



**Notes annexed to and forming part of the Consolidated Financial Statements (contd...)**  
**3.17 Details of Long Term Borrowings:**

	Bank Name	March 31, 2016				Rate of Interest %	Particulars of Repayment
		Non Current Rupees	Current Rupees	Total Rupees			
a. i)	<b>Secured Loans:</b> <b>Term loans from Banks</b> State Bank of India TL 3	-	-	-	-	5 monthly instalment of Rs.18 lakhs each and one monthly instalment of Rs.19 lakhs (2015-16 Rs.109 lakhs)	
	State Bank of India TL 4	2,51,40,000	3,48,00,000	5,99,40,000	13.05	12 monthly instalment of Rs.8.60 lakhs each, 12 monthly instalment of Rs.29 lakhs each and 6 monthly instalment of Rs.41.90 lakhs each (2015-16 Rs.103.20 lakhs, 2016-17 Rs.348 lakhs and 2017-18 Rs.251.40 lakhs)	
	State Bank of India TL 5	9,40,00,000	60,00,000	10,00,00,000	13.35	6 monthly instalment of Rs.10 lakhs each, 48 monthly instalment of Rs.15 lakhs each and 11 monthly instalment of Rs.20 lakhs each (2016-17 Rs.60.00 lakhs, 2017-18 Rs.180 lakhs, 2018-19 Rs.180 lakhs, 2019-20 Rs.180 lakhs, 2020-21 Rs.180 lakhs, 2021-22 Rs.220 lakhs)	
	Karnataka Bank TL 1	-	-	-	-	8 monthly instalments of Rs.36 lakhs each and one monthly instalment of Rs.44 lakhs (2015-16 Rs.332 lakhs)	
	Karnataka Bank TL 4	2,51,40,000	3,65,20,000	6,16,60,000	13.25	12 monthly instalment of Rs.8.60 lakhs each, 12 monthly instalment of Rs.29 lakhs each and 6 monthly instalment of Rs.41.90 lakhs each (2015-16 Rs.103.20 lakhs, 2016-17 Rs.348 lakhs and 2017-18 Rs.251.40 lakhs) (including arrear of 2015-16 Rs.17.20 lakhs included in 2016-17)	



**Notes annexed to and forming part of the Consolidated Financial Statements (contd...)**  
**3.17 Details of Long Term Borrowings: (contd..)**

Bank Name	March 31, 2016				Rate of Interest %	Particulars of Repayment
	Non Current Rupees	Current Rupees	Total Rupees			
Axis Bank TL	30,00,097	64,79,000	94,79,097	13.50	30 monthly instalments of Rs.5 lakhs each (2015-16 Rs.60 lakhs 2016-17 Rs.60 lakhs 2017-18 Rs.30 lakhs (including arrear of 2015-16 Rs.4.79 lakhs included in 2016-17)	
Karnataka Bank TL 5	1,70,00,000	9,30,00,000	11,00,00,000	13.25	3 monthly instalments of Rs.40 lakhs each, 12 monthly instalment of Rs.60 lakhs each, 10 monthly instalment of Rs.70 lakhs each and 1 monthly instalment of Rs.100 lakhs each, (2015-16 Rs.660 lakhs, 2016-17 Rs.810 lakhs and 2017-18 Rs.170 lakhs)(including arrear of 2015-16 Rs.120.00 lakhs included in 2016-17)	
Karnataka Bank TL 6	4,70,00,000	30,00,000	5,00,00,000	13.50	6 monthly instalments of Rs.5 lakhs each, 48 monthly instalments of Rs.7.50 lakhs each and 11 monthly instalments of Rs.10 lakhs each (2016-17 Rs.30 lakhs, 2017-18 Rs.90 lakhs, 2018-19 Rs.90 lakhs, 2019-20 Rs.90 lakhs, 2020-21 Rs.90 lakhs, and 2021-22 Rs.110 lakhs)	
HDFC Bank bus loan	2,82,397	7,94,085	10,76,482	10.01	36 monthly instalments	
HDFC Bank bus loan	-	-	-	-	36 monthly instalments	
HDFC Bank bus loan	-	-	-	-	36 monthly instalments	





**Notes annexed to and forming part of the Consolidated Financial Statements (contd...)**  
**3.17 Details of Long Term Borrowings: (contd..)**

	Bank Name	March 31, 2016				Rate of Interest %	Particulars of Repayment
		Non Current Rupees	Current Rupees	Total Rupees			
ii)	<b>Cash credit from banks</b>						
	State Bank of India	-	14,87,67,519	14,87,67,519	13.20/ 13.05	On demand	
	State Bank of India-SLC	-	2,41,57,924	2,41,57,924	14.20	On demand	
	State Bank of India adhoc	-	-	-	-	On demand	
	Karnataka Bank	-	15,17,16,123	15,17,16,123	13.25	On demand	
	Karnataka Bank adhoc	-	-	-	-	On demand	
	Axix Bank	-	2,62,30,112	2,62,30,112	12.50	On demand	
iii)	<b>Short term loan from banks</b>						
		21,15,62,494	53,14,64,763	74,30,27,257	-	-	
<p>(i) Term loans from banks aggregating Rs.39,10,79,097 (March 31, 2015 Rs.35,27,20,000) are secured by a first charge on the Company's fixed assets subject to the charge stated in (ii) to (v) infra and secured by a second charge on the Company's current assets; (ii) Term loans from banks to an extent of Rs.Nil (March 31, 2015 Rs.1,09,00,000) are secured by a first charge on the Company's wind mills; (iii) Term loans from banks to an extent of Rs.10,76,482 (March 31, 2015 Rs.6,28,563) are secured by hypothecation of certain buses and cars; (iv) Cash credit facilities are secured by a first charge on the Company's current assets except the stock of cotton pledged for goods loan facility and by a second charge on the Company's fixed assets excluding the charges mentioned in (i) to (iii) supra; (v) All the above loans are guaranteed by three directors.</p>							
b.	<b>Unsecured Loans :</b>						
	Fixed deposits	10,93,27,000	1,72,25,000	12,65,52,000	11 / 12	Repayable in 2016-17 Rs.172.25 lakhs, 2017-18 Rs.528.28 lakhs and 2018-19 Rs.564.99 lakhs	
	Inter corporate loan	4,00,00,000	-	4,00,00,000	13.95	Repayable in April 2017	
		14,93,27,000	1,72,25,000	16,65,52,000	-	-	



## Notes annexed to and forming part of the Consolidated Financial Statements (contd...)

## 3.18 Employee benefits -

## (i) Defined Employee benefit plans - As per Actuarial valuation as on March 31, 2016

Rs. lakhs

	Gratuity (funded) 2015-16	Compensated absences (unfunded) 2015-16
A. Expenses recognised in the statement of profit and Loss Accounting for the year ended Mar 31,2016		
(i) Current service cost	19.14	1.20
(ii) interest cost	18.18	11.23
(iii) Expected return on plan assets	-8.29	-
(iv) Net actuarial (gain) / loss recognised during the year	-12.60	-7.47
Total expenses	16.43	4.96
B. Actual return on plan assets		
(i) Expected return on plan assets	8.29	-
(ii) Actuarial (gain) / loss on plan assets	4.69	-
(iii) Actual return on plan assets	12.98	-
C. Net asset / (liability) recognised in the balance sheet		
(i) Present value of the obligation	243.77	148.88
(ii) Fair value of plan assets	100.39	-
(iii) Funded status (surplus/deficit)	-143.39	-148.88
(iv) Unrecognised past service cost	-	-
(v) Net Asset / (liability) recognised in the balance sheet	-143.39	-148.88
D. Change in Present value of the obligation during the year		
(i) Present value of the obligation as at beginning of the year	237.22	143.92
(ii) Current service cost	19.14	1.20
(iii) interest cost	18.19	11.23
(iv) Benefits paid	-13.47	-
(v) Actuarial (gain) / loss on obligation	-17.31	-7.47
(vi) Present value of obligation as at end of the year	243.77	148.88
E. Change in assets during the year		
(i) Fair value of plan assets as at beginning of the year	110.26	-
(ii) Expected return on plan assets	8.29	-
(iii) Contributions	-	-
(iv) Benefits paid	-13.47	-
(v) Actuarial (gain) / loss on plan assets	-4.69	-
(vi) Fair value of plan assets as at end of the year	100.39	-



## Notes annexed to and forming part of the Consolidated Financial Statements (contd...)

## 3.18 Employee benefits (Contd..)

Rs. lakhs

	Gratuity (funded) 2015-16	Compensated absences (unfunded) 2015-16
F. Experience adjustments in		
(i) Plan liabilities - loss(gain)	-17.31	-7.47
(ii) Plan assets - loss(gain)	-4.69	-
G. Major categories of plan assets as a percentage of total plan		
(i) Government of india securities	-	Unfunded
(ii) State Government Securities	5%	-
(iii) High Quality Corporate bonds	-	-
(iv) Special Deposit Scheme	-	-
(v) Other (Bank deposits)	34%	-
(vi) SBI Life insurance company	61%	-
(vii) Total	100%	-
H. Actuarial Assumptions		
(i) Discount rate	7.89%	8.10%
(ii) Salary escalation rate	3.5%	7.50%
(iii) Attrition rate	1%	1%
(iv) Expected return on plan assets	8%	0%

In the above actuarial valuation the estimated of future salary increases have reckoned the effect of inflation, seniority, promotion and other relevant factors.

- ii) Gratuity fund is administered through group gratuity scheme with SBI Life Insurance and by the Gratuity Trust through trustees.
- iii) During the year, the company has recognised the following amounts in the Statement of Profit and Loss:

Salaries, wages and bonus include compensated absences of Rs.9,21,541 (2014-15 Rs.21,12,807) Contribution to provident, gratuity and other funds include contribution to provident fund and family pension fund contribution of Rs.53,71,762 (2014-15 Rs.58,91,503) and gratuity fund of Rs.16,43,209 (2014-15 Rs.42,52,797). Workmen and staff welfare expenses include contribution to employees state insurance of Rs.20,94,968 (2014-15 Rs.22,81,226)

## 3.19 CSR EXPENDITURE

Rs. Lakhs

Particulars	2015-16
(a) Gross amount required to be spent by the Company during the year	11.94
(b) Amount spent during the year on:	
(i) Construction / acquisition of any asset	-
(ii) Purposes other than (i) above	1.65



## Notes annexed to and forming part of the Consolidated Financial Statements (contd...)

## 3.20 Disclosure as required under Section 186 (4) of the Companies Act, 2013:

Rs. Lakhs

Particulars	2015-16	Purpose
a) Loans	—	—
b) Investment (refer note 1.11 to the financial statements)	246.29	—
c) Guarantees	—	—

## 3.21 Additional Information, as required under Schedule III to the Companies Act, 2013 of entities consolidated as Subsidiaries, Joint Ventures and Associates

S. No.	Name of the Entity	Net Assets		Share in Profit or Loss	
		As a % of Consolidated Net Assets	Amount Rs. Lakhs	As a % of Consolidated Profit or (Loss)	Amount Rs. Lakhs
1.	<b>Investee Company</b> Kandagiri Spinning Mills Limited	101.52	4,015.29	102.13	(1,133.76)
	<b>Associate (Investment as per the equity method)</b> <b>Indian</b>				
2.	SPMM Health Care Services Private Limited	4.79	189.35	(4.26)	47.30
	<b>Sub Total</b>	<b>106.31</b>	<b>4,204.64</b>	<b>97.87</b>	<b>(1,086.46)</b>
	Less: Effect of intercompany adjustments / eliminations	6.31	249.39	(2.14)	23.65
	<b>Total</b>	<b>100.00</b>	<b>3,955.25</b>	<b>100.01</b>	<b>(1,110.11)</b>

Note : Net Assets and Share in Profit or Loss for Investee Company and Associate are as per the Standalone Financial Statements of the respective entities.

Name of Associate	Latest Audited Balance Sheet date	Networth	Profit / (Loss) for the year
		Rs. Lakhs	Considered in consolidation
<b>(A) Associates</b>			
SPMM Health Care Services Private Limited	31-Mar-2016	189.35	47.30

3.22 Since this is the first year of consolidation, previous year figures have not been given.

3.23 The figures for the previous periods have been reclassified/regrouped/amended, wherever necessary.

Signatures to Statement of Accounting Policies and Notes to Financial Statements

For and on behalf of the Board

**R. Selvarajan**  
Chairman and Managing Director  
DIN : 00001703

**S. Devarajan**  
Director  
DIN : 00001910

Salem,  
May 21, 2016

**J. Asifa**  
Company Secretary

**S. Vijay Shankar**  
Chief Financial Officer



# KANDAGIRI SPINNING MILLS LIMITED

Corporate Identity Number (CIN) : L17111TZ1976PLC000762

Registered Office : POST BOX NO.3, UDAYAPATTI P.O., SALEM – 636 140

Tel : 0427 2244400 Fax : 0427 2244422

Email : sales@kandagirimills.com Website : www.kandagirimills.com

## PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013  
and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s) : .....

Registered Address : .....

E-mail Id : .....

Folio No..... DP ID No ..... Client ID No .....

I / We, being the Member(s) of Kandagiri Spinning Mills Limited, holding ..... Shares hereby  
appoint

1. Name: .....E-mail Id .....

Address: .....

.....Signature..... or failing him

2. Name: .....E-mail Id .....

Address: .....

.....Signature..... or failing him

3. Name: .....E-mail Id .....

Address: .....

.....Signature..... or failing him

as my / our proxy to attend for me/us and on my / our behalf at the Fortieth Annual General Meeting of the  
Company held at the Mill Premises of Sambandam Spinning Mills Limited at Kamaraj Nagar Colony,  
Salem – 636 014 on Saturday, the 6<sup>th</sup> August, 2016 at 11.30 a.m and at adjournment thereof in respect of  
such resolutions as are indicated below: (Please turn to next page)



# KANDAGIRI SPINNING MILLS LIMITED

Corporate Identity Number (CIN) : L17111TZ1976PLC000762

Registered Office : POST BOX NO.3, UDAYAPATTI P.O., SALEM – 636 140

## Attendance Slip

(To be presented at the entrance of the venue of the AGM)

I hereby record my presence at the Fortieth Annual General Meeting of the Company held at the Mill Premises of  
Sambandam Spinning Mills Limited at Kamaraj Nagar Colony, Salem – 636 014 on Saturday, the 6<sup>th</sup> August, 2016  
at 11.30 a.m and any adjournment thereof

Folio No / DP ID No / Client ID No .....

Name of the Member ..... Signature.....

Name of the Proxy holder ..... Signature.....

1. Only Member / Proxy holder can attend the Meeting.

2. Member / Proxy holder should bring the AGM notice and the Annual Report for reference at the meeting

Please put a tick (✓) mark at the appropriate column against the respective Resolutions to record your assent (Yes) or your dissent (No). If you leave the 'Yes' or 'No' column blank against any or all the resolutions, your proxy will be entitled to vote in the manner he / she thinks appropriate.

Sl. No.	Resolutions	Type of Resolution	No. of Shares Held	Yes	No
1.	ADOPTION OF FINANCIAL STATEMENTS	ORDINARY			
2.	APPOINTMENT OF SRI S. DEVARAJAN, DIRECTOR RETIRING BY ROATATION	ORDINARY			
3.	APPOINTMENT OF STATUTORY AUDITORS	ORDINARY			
4.	ACCEPTANCE OF DEPOSITS FROM MEMBERS OF THE COMPANY	ORDINARY			
5.	RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITORS	ORDINARY			

Place :

Date :

(Signature of Member)

Signed this ..... day of August 2016

Signature of Member .....

Signature of Proxy holder(s) .....



**Note : This Form in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting, i.e. before 11.30 am on 04-08-2016.**

Note [Proxy]:

- 1) This Form in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting, i.e. before 11.30 am on 04-08-2016.
- 2) Proxies submitted on behalf of Limited Companies, Societies, etc., must be supported by appropriate Resolutions / Authority, as applicable. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
- 3) During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member is entitled to inspect the proxies lodged at any time during the business hours of the Company, provided not less than 3 days advance notice in writing is given to the Company.

# Kandagiri Spinning Mills Limited



**AGM Venue**  
Mill Premises  
Sambandam Spinning Mills Limited,  
Kamaraj Nagar Colony, Salem - 636 014.



# 40<sup>th</sup> Annual Report



**Kandagiri Spinning Mills Limited**

Post Box No. 3, Udayapatti, Salem - 636 140