



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 OF POSTAL BALLOT

[Pursuant to Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014]

NOTICE TO THE SHAREHOLDERS

Notice is hereby given pursuant to section 110 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Companies (Management and Administration) Rules, 2014, as amended from time to time and Secretarial Standard (SS-2), for seeking consent of the shareholders by way of postal ballot/electronic voting ("e-voting") in respect of the special resolution stated in this notice.

Board of Directors has appointed Shri B. Kalyanasundaram, Practising Company Secretary (Membership No. 672; COP No: 2209) of M/s B. K. Sundaram & Associates, Company Secretaries, as the Scrutinizer for conducting the postal ballot/ e-voting process in a fair and transparent manner.

Consent of the Members is requested for the proposed special resolution stated in this notice. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, pertaining to the said Resolutions, setting out material facts and the reasons thereof is annexed hereto along with a Postal Ballot Form ("**Form**") for your consideration.

Members are requested to carefully read the instructions printed in the Form, record their assent or dissent and return the Form, in original duly completed and signed in the enclosed self addressed business reply envelope so as to reach the Scrutinizer on or before **19th December, 2016** by 5.00 P.M. Please note that any Postal Ballot Form(s) received after the said date and time will be treated as not received.

In compliance with the provisions of Section 108, 110 and other applicable provisions of the Companies Act, 2013 read with rules made thereunder and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has also extended e-voting facility as an alternate for its members to enable them to cast their votes electronically instead of dispatching Form(s). The Company has engaged the services of Central Depository Services (India) Limited (CDSL) for providing e-voting facility to all its members. Detailed instructions to use the e-voting facility are given in this Notice.

The Scrutinizer will submit his report to the Chairman and Managing Director of the Company after completion of the scrutiny of the Forms (including e-voting) and the results of the Postal Ballot will be announced on **21st December, 2016** and the same will be displayed on the Notice Board at the Registered Office of the Company. The results will also be displayed on the Company's website at www.kandagirimills.com and communicated to the stock exchanges where the shares of the Company are listed. The Resolution(s), if approved by requisite majority, shall be deemed to have been passed on the last date specified by the Company for receipt of duly completed postal ballot forms or e-voting.



PROPOSED SPECIAL RESOLUTION

Special Business

Item No: 1 Approval for sale/transfer/disposal of 10.125 MW Wind Energy Generators and part of remaining assets of the Company

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

“RESOLVED THAT in accordance with the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 read with the rules made thereunder (including any statutory modifications or re-enactments thereof for the time being in force) and subject to approval of the Company's Bankers and such other approvals, consents and permissions being obtained from the appropriate authorities to the extent applicable and necessary, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter called the **“Board”**, which term shall be deemed to include person(s) authorized and/or committee which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this Resolution) to sell/transfer/dispose of Company's business unit namely Wind Energy Generators (**“Windmills”**) (situated at Tirunelveli and Coimbatore districts having a capacity of 10.125 MW electricity generation) and part of the remaining assets of the Company for an appropriate total consideration of not less than Rs. 50 crore as a going concern/ on a slump sale basis or in any other manner to any prospective buyer on such terms and conditions as may be deemed fit by the Board in the interest of the Company to meet the following liabilities (in full or in parts):-

- (i) Bank Term Loan Repayments
- (ii) Cash Credit Payments
- (iii) Inter- Corporate Borrowings Repayments
- (iv) Pressing Creditor Payments

RESOLVED FURTHER THAT the Board be and is hereby authorized to finalize the amount of consideration to be received, any amendment to the terms and conditions of such sale, transfer, to execute all the necessary agreements, deeds and other documents and to do all such acts, deeds and things as may be necessary, usual or expedient for giving effect to the above resolutions and also agree to any amendments thereto from time to time as it may think fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to identify/ determine the asset(s) to be offered for sale as and when the situation warrants, to delegate all or any of the powers herein conferred, to any Committee of Directors or any one or more Directors of the Company with power to delegate to any Officers of the Company, with authorities as required, affixing the Common Seal of the Company on agreements/documents, arranging delivery and execution of contracts, deeds, agreements and instruments.”

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

Place : Salem
Date : November 10, 2016

J. Asifa
Company Secretary



NOTES :-

1. The explanatory statement setting out the material facts in respect of the above stated special resolution, as required under Section 102 of the Companies Act, 2013 is annexed hereto.
2. Voting rights shall be reckoned on the paid-up value of shares registered in the name of the members as on **11th November, 2016 ("cut-off date")**. A person who is not a member as on the cut-off date should treat this notice for information purposes only.
3. Physical copy of the postal ballot notice (along with postal ballot form and self addressed business reply envelope) is being sent by the permitted mode to all the members whose names appear in the Company's Register of Members/record of depositories as at the close of the business hours on **11th November, 2016 ("cut-off date")** and also electronically by e-mail to those members (as on cut-off date) who have registered their e-mail addresses and PAN with the RTA/depositories.
4. The Notice is also placed on the website of the Company i.e. www.kandagirimills.com and also on the website of Central Depository Services (India) Limited.
5. All the material documents referred to in the notice and explanatory statement are available for inspection by the members at the Company's Registered Office during business hours on all its working days from the date of dispatch of the notice till **19th December, 2016**.
6. The last date for receipt of postal ballot forms or e-voting i.e. **19th December, 2016** shall be taken as the date of passing resolutions, if approved by requisite majority. Resolutions passed by the members through postal ballot voting facility (including voting through electronic means) shall be deemed to have been passed at a duly convened General Meeting of the members subject to receipt of the requisite number of votes in favour of the resolutions.
7. Kindly note that Members can opt for only one mode of voting i.e. either by Postal Ballot Form or e-voting. In case of receipt of vote by both the modes, voting through e-voting shall prevail and voting by Postal Ballot Form shall be treated as invalid.
8. The Scrutinizer's decision on the validity of the Postal Ballot shall be final.

9. VOTING THROUGH PHYSICAL POSTAL BALLOT FORM

- (i) The Members are requested to carefully read the instructions printed overleaf the Postal Ballot Form and return the Postal Ballot Form duly completed with the assent (for) or dissent (against), in the enclosed postage pre-paid self-addressed business reply envelope, so as to reach the Scrutinizer, on or before **Monday, 19th December, 2016 by 5.00 P.M.**, to be eligible for being considered, failing which, it will be strictly treated as if no reply has been received from the Member.
- (ii) The Members are requested to exercise their voting rights by using the attached Postal Ballot Form only. No other form or photocopy of the form is permitted.

Envelopes containing Postal Ballot Form if deposited in person or sent by courier/post at the expense of the Members will also be accepted.

10. VOTING THROUGH ELECTRONIC MEANS

The Company has engaged the services of Central Depository Services (India) Limited (CDSL) for e-voting purpose.

The voting period begins on **Sunday, 20.11.2016 at 9.00 a.m and ends on Monday, 19.12.2016 at 5.00 p.m.** During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on **11.11.2016 (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
- (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 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

	For Members holding shares in Demat Form or in Physical Form
PAN*	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <p>* 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 label slip pasted on the 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,</p> <p>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'.</p>
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.
- (xii) 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.
- (xiii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xiv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xv) 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.
- (xvi) 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 under help section or write an email to helpdesk.evoting@cdslindia.com.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No: 1 Approval for sale/transfer/disposal of 10.125 MW Wind Energy Generators and part of remaining assets of the Company

Company incurred operating loss of Rs. 1134 lakhs during the financial year 2015-16 which adversely affected the cash flow. Further due to abnormal increase in cotton prices and lower demand for yarn, Company subsequently reported loss of Rs. 847.67 lakhs for the half year ended 30.09.2016 and an estimated loss of nearly Rs. 500 lakhs for the month of October 2016. These losses resulted in severe financial crisis. Business Working Capital got adversely affected and created difficulty in procurement of raw material and the revenue out of operations got reduced to large extent.

In consequence of the above, payment obligations could not be met resulting in Overdue of Bank repayments, delayed payments to creditors and also shortage of working capital. Hence Company is in need of long-term funds to overcome the present situation.

Considering this situation, existing Company's Bankers were approached for long-term loan and the Bankers suggested exploring the possibility of raising funds through sale of assets. Hence Board has taken the strategic decision of sale of business unit "Wind Energy Converter (Windmill)" and part of the remaining assets of the Company (after assessing the technical and financial viability of the balance assets) to meet the liabilities specified in the resolution.

Kandagiri Spinning Mills Limited



The proceeds from the sale of windmill assets and part of remaining assets of the Company will repay the existing loans and reduce interest burden and also strengthen the working capital of the Company.

Utilisation (in approximate) of the sale proceeds is as shown below:-

	[Rs. in Crore]
Part of Bank Term Loan and Cash Credit Repayments	- 30
Inter- Corporate Borrowings Repayments	- 5
Creditor Payments	- 10
Working Capital Margin	- 5
	<u>50</u>

By strengthening the working capital of the Company, tactical decisions would be taken in day to day operations there by improving the operational efficiency and introducing value added products thus enhancing the profit of the Company.

With regard to economics of production without windmill energy power, since our state is in surplus power situation now and from next year onwards there may not be any power cut. Consequently there would be no need to rely on private power purchase and power requirements could be totally met with TANGEDCO power. Also Company is planning to buy power from power exchange which is relatively cheaper. In that context power cost will be within normal level and this will help realizing normal production cost. Spinning mills will be able to realize normal profit margin and improved cash flow.

The Board of Directors of the Company at its meeting held on 10th November, 2016 has inter-alia approved sale/transfer/disposal of Company's business unit namely "Wind Energy Generators" situated at Tirunelveli and Coimbatore districts having a capacity of 10.125 MW electricity generation and part of the remaining assets of the Company as a going concern/ on a slump sale basis or in any other manner to any prospective buyer for an appropriate total consideration of not less than Rs. 50 crore on such terms and conditions as may be deemed fit by the Board in the interest of the Company for the reasons stated in the resolution.

In terms of Section 180 (1) (a) of the Companies Act, 2013, the Board may sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company only with the consent of the members by way of special resolution. Pursuant to Section 108 read with section 110 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 as amended from time to time, consent of the members is required through postal ballot/ e-voting.

The Board of Directors is of the opinion that the proposed sale of windmill business and part of remaining assets of the Company is in the overall interest of the Company and accordingly recommends Special Resolution as set out at Item No. 1 of the Notice for approval of the members.

None of the Directors and Key Managerial Personnel of the Company and their relatives is directly or indirectly concerned or financially or otherwise interested in the Resolution.

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

Place : Salem
Date : November 10, 2016

J. Asifa
Company Secretary



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POSTAL BALLOT FORM

(Please read the instructions printed overleaf carefully before completing this form)

Serial No: _____

1.	Name & Address of the Sole/First Named Member	
2.	Name(s) of Joint holder(s) if any	
3.	Registered Folio No. / *DP ID & Client ID No. (*Applicable for shares in demat form)	
4.	No. of Equity Shares held	

I/We hereby exercise my/our vote in respect of the Special Resolution to be passed through postal ballot as detailed in the Notice of the Company dated 10th November, 2016, by sending my/our Assent (Yes) or Dissent (No) to the said resolution by placing the tick (✓) mark in the appropriate column below:-

Item No.	Brief Description of the Resolution	Nature of Resolution	No. of equity shares held	I/We assent to the Resolution (Yes)	I/We dissent to the Resolution (No)
1.	Approval for sale / transfer / disposal of 10.125 MW Wind Energy Generators and part of remaining assets of the Company	Special			

- Note : 1) Kindly read the instructions printed overleaf (next page) before filling this form.
2) Last date of receipt of this form by the Scrutinizer: 19th December, 2016 upto 5.00 p.m.

Place : _____

Date : _____

Signature of the Member

(ELECTRONIC VOTING PARTICULARS)

- Please refer the detailed instructions for evoting (including e-voting link, EVSN, User id & Password) given under Note No. 10 of the Postal Ballot Notice sent herewith
- E-voting Starting Period : (From) 20th November, 2016 at 9.00 a.m.
Ending Period : (To) 19th December, 2016 at 5.00 p.m.



INSTRUCTIONS

1. A member desiring to exercise vote by Postal Ballot shall complete this Postal Ballot Form and send it duly and properly sealed to the Scrutinizer in the self-addressed business reply envelope sent herewith. However, envelopes containing Postal Ballot form, if deposited in person or sent by courier / post at the expense of the member will also be accepted. Members are requested to convey their assent or dissent in this postal Ballot form only. Assent or dissent received in any other form or manner shall be considered as invalid.
2. This Form should be completed and signed by the member (as per the specimen signature registered with the Company / Depository Participant(s)). In case of Joint holding, this form should be completed and signed by the first named member and in his absence, by the next named Member. However, where the form is sent separately by the first named member as well as by the joint holder(s), the vote cast by the first named member would be considered.
3. Duly completed Postal Ballot form should reach the scrutinizer not later than **5 PM IST on 19th December, 2016**. All Postal Ballot forms received after this date will be strictly treated as if reply from such member(s) has not been received.
4. There will be only one Postal Ballot Form for every Folio No. / DP ID_Client ID No. irrespective of the number of Joint Member(s). On receipt of the duplicate Postal Ballot Form, the original will be rejected.
5. In case of shares held by Companies, Trusts, Societies, etc., the duly completed Postal Ballot Form should be accompanied by a certified true copy of Board Resolution / Power of Attorney / attested specimen signatures etc.
6. Members are requested not to send any other paper along with the Postal Ballot Form in the enclosed self addressed business reply envelope, as all such envelopes will be sent to the scrutinizer and any extraneous paper found in such envelope would be destroyed by the scrutinizer and the Company would not be able to act on the same.
7. In case any member is desirous of obtaining a printed postal ballot form or a duplicate thereof, the same may be requested by sending an e-mail to sales@kandagirimills.com. However, the duly filled-in/signed duplicate postal ballot form should reach the scrutinizer not later than the date and time specified above in Clause No. 3 of the Instructions.
8. Incomplete, unsigned or incorrect Postal Ballot Forms will be rejected. The scrutinizer's decision on the validity of the Postal Ballot Form will be final and binding.
9. Additionally, please note that the Postal Ballot Forms shall be considered invalid if:
 - a) A form other than one issued by the Company has been used;
 - b) It has not been signed by or on behalf of the member;
 - c) Signature on the postal ballot form doesn't match the specimen signatures registered with the Company;
 - d) It is not possible to determine without any doubt the assent or dissent of the member;
 - e) Neither assent or dissent is mentioned;
 - f) Any competent authority has given directions in writing to the Company to freeze the voting rights of the Member;
 - g) It is defaced or mutilated in such a way that its identity as genuine form cannot be established;
 - h) The member has made any amendment to the Resolution or imposed any condition while exercising his vote.
10. Voting rights shall be reckoned on the paid up value of shares registered in the name of the member(s) as on **11th November, 2016** (cut-off date).
11. A member need not use all his/her votes nor does he/she need to cast his/her votes in the same way.
12. Voting right in Postal Ballot/E-voting cannot be exercised by a proxy.
13. The Company is pleased to offer e-voting facility as an alternate, for all the Members of the Company to enable them to cast their votes electronically instead of returning duly filled-up Postal Ballot Form. Members can opt for only one mode of voting i.e., either by ballot or through E-voting. In case members cast their votes both by Postal Ballot and e-voting, the votes cast through e-voting shall prevail and the votes cast through postal ballot shall be considered invalid.
14. Any query/grievances connected with voting by postal ballot/e-voting, may be addressed to Company Secretary at the Email id and Phone No. of the Company mentioned in both postal ballot form & notice.