

**Board of Directors**

S. Devarajan – Chairman and Managing Director
 S. Jegarajan – Joint Managing Director
 S. Dinakaran – Joint Managing Director
 A. G. Venkatesan
 D. Sudharsan
 V. Mahadevan
 P. S. Ananthanarayanan
 V. Gopalan
 N. Asoka

Company Secretary and Chief Financial Officer

R. S. Shanmugam

Statutory Auditors

M. S. Krishnaswami & Rajan

Cost Auditors

S. Mahadevan & Co

Bankers

State Bank of India	IDBI Bank Limited
Karnataka Bank Limited	Axis Bank Limited
Indian Overseas Bank	Canara Bank
Central Bank of India	

Registered Office

Mill Premises, Post Box No.1
 Kamaraj Nagar Colony,
 Salem 636 014, Tamil Nadu

Spinning Plants

Unit I : Kamaraj Nagar Colony,
 Salem 636 014. Tamil Nadu
 Unit II : Ayeepalayam, Athanur 636 301,
 Namakkal District, Tamil Nadu
 Unit III : Kavarakalpatty, Seshanchavadi Post
 Salem 636 111. Tamil Nadu.

Wind Energy Converters

Uthumalai Village, V.K. Pudur Taluk
 Tirunelveli District, Tamil Nadu.
 Panangudi, Pazhavor and Parameshwarapuram Villages,
 Radhapuram Taluk, Tirunelveli District, Tamil Nadu.
 Gudimangalam Village, Udumalpet Taluk,
 Coimbatore District, Tamil Nadu.



Significant Information

Rs. lakhs

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
1 Fixed assets	18481.69	19335.17	14921.33	12373.09	7910.98	6364.72
2 Net current assets	6130.33	3965.34	6321.19	5129.27	4960.81	3431.75
3 Total capital employed	24830.91	23562.39	21564.98	17856.12	13226.09	10199.46
4 Shareholders' funds	6387.47	5972.93	3370.96	2925.60	2293.09	1970.45
5 No. of shares	42,64,600	42,64,600	42,64,600	42,64,600	42,64,600	42,64,600
6 Net worth per share (Rs.)	150	140	79	69	54	46
7 Turnover – gross	14377.61	11958.90	12683.86	13057.76	11427.97	9372.42
8 Turnover – net	14038.40	11693.27	12438.06	12805.59	11170.71	9047.60
9 Gross profit – PBDIT	2968.23	1796.42	2604.05	3326.21	2575.87	2123.30
10 Profit before tax – PBT	646.29	(537.63)	855.76	1308.83	1230.98	1035.13
11 Profit after tax – PAT	469.29	(382.09)	591.76	1121.83	663.38	546.03
12 Retained earnings	1266.13	621.22	1284.11	2098.59	1222.33	1054.77
13 Dividend (%)	—	—	25	60	65	50
14 Earnings per share - (Rs.) - Basic	11.00	(8.96)	13.88	26.31	15.56	12.80
15 Installed capacity – Spindles	85,452	84,252	73,452	73,452	62,176	62,372

Note: (i) Reduction in spindle capacity in 2005-06 is the effect of modernisation

(ii) Net worth per share in 2008-09 and 2009-10 is after reckoning revaluation surplus of Rs.3002.16 lakhs and Rs.2964.52 lakhs respectively.



CORPORATE GOVERNANCE REPORT

1 Our Company's philosophy on Corporate Governance

Our Company's philosophy on Corporate Governance is delineated below:

- Effectiveness measured by the quality of its leadership resulting in the 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, 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

The nine member Board of Directors consists of an executive Chairman and Managing Director, four non executive Independent Directors, two executive Directors and two non executive 'non-independent' Directors. Details of the composition and attendance of the Board and Committees thereof and the shares of the Company held by them are given separately in this Report. Personal information about the directors being reappointed is mentioned in the Directors' Report and in the Notice convening the Annual General Meeting and therefore is not separately mentioned in this Report.

None of the Directors of the Company is a member of more than 10 Committees or Chairman of more than five Committees (as specified in Clause 49(1)(C) of the Listing Agreement with the Stock Exchanges) across all Companies in India of which he is a Director. All the Directors have certified that the disqualifications mentioned in Section 274(1)(g) of the Companies Act, 1956 do not apply to them.

The non executive Directors are entitled to sitting fees for every meeting of the Board or Committee thereof attended by them. The executive directors including the Chairman and Managing Director, are entitled to remuneration as per their terms of appointment and the details of such remuneration received by them are given separately in this Report.

Code of Conduct

The Code of Conduct laid down by the Company is applicable to the Board of Directors and all the employees of the Company. This Code of Conduct emphasises the Company's commitment to compliance with the highest standards of legal and ethical behaviour. All the Directors and senior management have adhered to the Code of Conduct of the Company during the year and have signed declarations of compliance to the Code of Conduct. The declaration signed by Sri S. Devarajan, Chairman and Managing Director is given separately in the Annual Report.



Directorship held by existing Directors and shares of the Company held by them as on March 31, 2010 are given below:

Name of Director	Number of other Companies Directorship	Number of other Companies Committees of which member*	Number of shares of the Company held as on 31.03.10
Sri S. Devarajan Chairman and Managing Director	6	2	3,74,424
Sri S. Jegarajan Joint Managing Director	2	—	4,25,846
Sri S. Dinakaran Joint Managing Director	4	—	3,44,879
Sri D. Sudharsan	2	—	77,060
Sri A.G. Venkatesan	1	—	2,75,790
Sri P. S. Ananthanarayanan	1	1	—
Sri V. Mahadevan	2	2	—
Sri V. Gopalan	2	1	—
Sri N. Asoka	2	2	—

*Only Audit Committee, Share Transfer Committee and Investor Grievance Committee are considered as per Clause 49(1)(C) of the Listing Agreement with Stock Exchanges

Audit Committee

The Audit Committee presently consists of four non executive independent Directors. Sri P.S. Ananthanarayanan, an independent Director, is the Chairman of the Audit Committee. Sri V. Mahadevan, Sri V. Gopalan and Sri N. Asoka, independent directors, are members of the Audit Committee. The Chairman and Managing Director, Internal Auditor, Statutory Auditor and Cost Auditor are invitees to Audit Committee meetings. The Company Secretary and Chief Financial Officer is the Secretary of the Audit Committee. The terms of reference of the Audit Committee cover all the areas mentioned under Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors. The broad terms of reference of the Audit Committee are to review financial reporting process and all financial results, statements and disclosures and recommend the same to the Board, review the internal audit reports and internal control systems and procedures and discuss the same with the internal auditors, to meet the statutory auditors and discuss their findings, the scope of audit, audit qualifications, if any, reviewing related party transactions, compliance with the listing agreements and other legal requirements and the Company's financial and risk management policies and compliance with statutory requirements. Sri G. Chennakesavan, Chartered Accountant, is the internal auditor of the Company. He conducts internal audit and reports directly to the Audit Committee of the Board.

Share Transfer Committee

The Share Transfer Committee has been constituted to specifically look into the share transfers. Share transfers are effected by the Registrar and Transfer Agents (RTA) Cameo Corporate Services Limited, Chennai, on the authorization given by the Board. The transfers/transmissions effected by the Registrar are submitted to the Share Transfer Committee for confirmation. Sri S. Devarajan, Chairman and Managing Director chairs the meetings of the Committee. Sri S. Jegarajan, executive Director and Sri A.G. Venkatesan, non executive Director, are members of this Committee. The Company Secretary and Chief Financial Officer is the Secretary of the Committee and the Compliance officer. Minutes of the Committee meetings are circulated to all the Directors and discussed at the Board meetings.



Investor Grievance Committee

The Investor Grievance Committee has been constituted to specifically look into the redressal of investors' complaints. This committee looks into investor relations/grievances on a periodical basis. Sri N. Asoka, non executive independent Director chairs the meetings of the Committee. Sri D. Sudharsan and Sri A.G. Venkatesan, non executive Directors, are members of this Committee. The Company Secretary and Chief Financial Officer is the Secretary of the Committee and the Compliance officer. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings. During the year no complaints were received from investors and 74 request letters were received on routine matters and all these were dealt with satisfactorily.

Finance Committee

The Finance Committee has been constituted to consider borrowings from banks and financial institutions. Sri S. Devarajan, Chairman and Managing Director, Chairs the meetings of the Committee. Sri S. Jegarajan and Sri S. Dinakaran, executive Directors, are members of this Committee. The Company Secretary and Chief Financial Officer is the Secretary of the Committee. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings.

Remuneration Committee

The Remuneration Committee has been constituted to consider the remuneration and other benefits to the executive directors. The Committee consists of three non executive independent Directors, namely Sri P. S. Ananthanarayanan, Sri V. Gopalan and Sri N. Asoka. Sri P. S. Ananthanarayanan chairs the meetings of the Committee. The Company Secretary and Chief Financial Officer is the Secretary of the Committee. Minutes of the Committee meetings are circulated to all the Directors and discussed at the Board meetings.

3 Attendance of Directors

Remuneration and attendance of Directors at the meetings of the Board or Committee thereof during the year ended March 31, 2010

Name of Director	Board Meetings	Audit Committee Meetings	Share Transfer Committee Meetings	Investor Grievance Committee Meetings	AGM held on 23rd September, 2009	Directors sitting fees Rs.	Directors remuneration Rs.
Sri S. Devarajan Chairman and Managing Director	5	-	4	-	1	-	36,00,000
Sri S. Jegarajan Joint Managing Director	5	-	4	-	1	-	30,00,000
Sri S. Dinakaran Joint Managing Director	4	-	-	-	1	-	6,00,000
Sri D. Sudharsan	5	-	-	4	1	-	-
Sri A.G. Venkatesan	5	-	4	4	1	12,500	-
Sri P. S. Ananthanarayanan	5	6	-	-	1	1,07,500	-
Sri V. Mahadevan	5	6	-	-	1	1,02,500	-
Sri V. Gopalan	5	6	-	-	1	1,07,500	-
Sri N. Asoka	3	3	-	3	-	57,500	-

Note : Five Board meetings were held during the year on June 25, 2009, July 31, 2009, September 23, 2009, October 31, 2009 and January 29, 2010. Six Audit Committee meetings were held during the year on June 4, 2009, June 23, 2009, June 24, 2009, July 30, 2009, October 30, 2009 and January 28, 2010. Share Transfer Committee meetings and Investors Grievance Committee meetings were held on June 25, 2009, July 31, 2009, October 31, 2009 and January 29, 2010.



4 General Shareholder Information

- A The 36th Annual General Meeting of the Company will be held on August 12, 2010 at 10.45 a.m. at the Registered Office of the Company in Kamaraj Nagar colony, Salem 636 014. The previous three Annual General Meetings were held on the following dates:

Year	Date	Time	Venue
2007	06/07/2007	10.15 a.m.	Mill Premises, Kamaraj Nagar Colony, Salem 636 014.
2008	27/09/2008	10.45 a.m.	Mill Premises, Kamaraj Nagar Colony, Salem 636 014.
2009	23/09/2009	10.45 a.m.	Mill Premises, Kamaraj Nagar Colony, Salem 636 014.

Three Special resolutions were passed at the Annual General Meetings held on September 27, 2008 and September 23, 2009 to approve the payment of remuneration to three executive Directors of the Company.

No extra ordinary general meeting of the members was convened during the aforesaid three years and no special resolution was put through postal ballot last year and the Company does not propose to pass any special resolution through postal ballot process during this year.

B Book Closure Period

The Book Closure period is from July 30, 2010 to August 12, 2010 (both days inclusive).

C Financial Calendar for year 2010-11

Board meetings to be held in 2010-11 : August 2010, October/November 2010,
January/February 2011 and May 2011

Annual General Meeting : AGM will be held in August/September, 2011

D Listing on Stock Exchanges

Annual Listing Fee has been paid and all requirements of the stock exchange, including submission of quarterly reports and certificates were complied with. The shares of the Company are listed with the Bombay Stock Exchange Limited (Stock Code :521240) and the Madras Stock Exchange Limited.

For Dematerialisation of shares, the ISIN No. allotted to the Company is **INE304D01012**. The shares are available for trading in the depository system of both the National Securities Depository Limited (NSDL) and the Central Depository Services Limited (CSDL). So far 79.24% shares of the Company are in dematerialised form.

E Registrar and transfer agents

The share management work, both physical and demat, is being handled by the Registrar and Share Transfer Agents of the Company whose name and address is given below:

Cameo Corporate Services Limited	Phone : 044-28460390 (5 lines)
Subramanian Building	Fax No. : 044-28460129
No.1 Club house Road,	
Chennai 600 002.	e-mail : investor@cameoindia.com

**F Market Price (BSE) during the Period April 1, 2009 to March 31, 2010**

Month	High (Rs.)	Low (Rs.)
April 09	35.10	28.05
May 09	47.75	30.50
June 09	53.10	37.00
July 09	44.00	35.00
August 09	53.50	44.00
September 09	53.25	47.00

Month	High (Rs.)	Low (Rs.)
October 09	55.00	45.15
November 09	76.95	48.25
December 09	82.65	66.45
January 10	90.00	74.35
February 10	82.00	66.10
March 10	80.00	72.45

G Means of communication

The annual, half-yearly and quarterly results are regularly published in English and vernacular newspapers and are also posted on the Company's website at www.sambandam.com. These are also sent to the stock exchanges concerned in accordance with the listing agreement. All communication regarding share transactions, change of address, nominations etc. should be addressed to the Registrar and Share Transfer Agents of the Company or to the Company Secretary at the following address:

The Company Secretary
Sambandam Spinning Mills Limited
Post Box No.1, Kamaraj Nagar Colony
Salem 636 014.

Phone : 0427-2240790-94
Fax No. : 0427-2240169
e-mail : cs@sambandam.com

H Distribution of shareholding as on March 31, 2010

Shares held	Shareholders	%	No. of shares	%
1 – 5000	3534	91.46	4,25,230	9.97
5001 – 10000	129	3.34	1,03,859	2.44
10001 and above	201	5.20	37,35,511	87.59
Total	3864	100.00	42,64,600	100.00

I Shareholding pattern as on March 31, 2010

Category	No. of shares held	%
Indian Promoters	26,09,234	61.18
Financial Institutions	76,590	1.80
Bodies Corporate	1,47,333	3.45
Non Resident Indians	6,838	0.16
Indian Public	14,24,335	33.40
Clearing member	270	0.01
Total	42,64,600	100.00



J Disclosures

- (i) Details of transactions with the related parties as specified in Accounting Standards issued under section 211(3) of the Companies Act, 1956 have been reported in the Notes to the Accounts. There is no transaction of a material nature with any of the related parties, which was in conflict with the interests of the Company.
- (ii) There was no non-compliance, penalties or strictures imposed on the Company by any Stock exchange, SEBI, or any other statutory authority on any matters relating to capital market during the last three years.
- (iii) The Management Discussion and Analysis Report forms part of the Directors' Report.
- (iv) The Company does not have any subsidiary.
- (v) There have been no public issues, rights issues or other public offerings during the past five years.
- (vi) Plant locations of the Company are given below:

Spinning Mills

Unit – I Kamaraj Nagar Colony, Salem 636 014. Tamil Nadu.

Unit – II Ayeepalayam, Athanur 636 301, Namakkal District. Tamil Nadu.

Unit – III Kavarakalpatty, Seshanchavadi Post, Salem 636 111. Tamil Nadu.

Wind Energy Converters

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

Uthumalai Village, Veerakeralam Pudur Taluk, Tirunelveli District, Tamil Nadu.

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

Auditors' certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreements

To the Members of Sambandam Spinning Mills Limited

1. We have examined the compliance with the conditions of Corporate Governance by Sambandam Spinning Mills Limited (the Company) for the year ended March 31, 2010 as stipulated in clause 49 of the listing agreements of the said Company with the stock exchanges in India, with the relevant records and documents maintained by the Company and furnished to us and 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 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 the above mentioned listing agreements.
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 Accountants

Registration No.01554S

M.K. Rajan-Partner

Membership No.4059

Salem
May 29, 2010

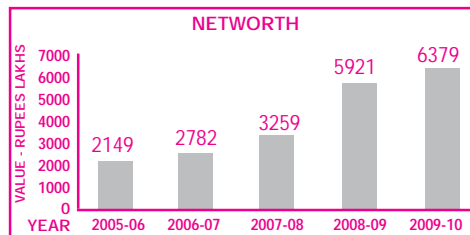
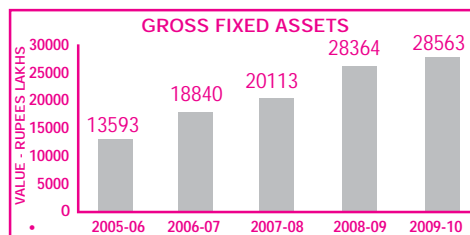
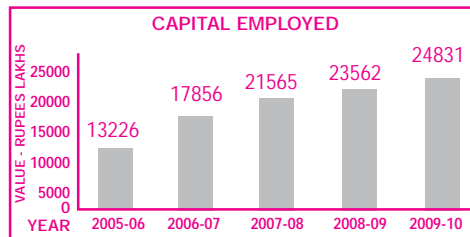


DIRECTORS' REPORT

Your directors have pleasure in submitting their 36th Annual Report together with the Audited Accounts for the year ended March 31, 2010 (the year).

Performance highlights

	2009-10	2008-09
	(Rs. lakhs)	
Turnover - gross		
Direct exports	82	63
Merchandise exports	2530	2509
	<u>2612</u>	<u>2572</u>
Domestic Sales	11742	9350
Conversion and testing charges earned	24	37
	<u>14378</u>	<u>11959</u>
Less sales tax and cess recovery	340	266
Total turnover	<u>14038</u>	<u>11693</u>
Gross profit (ie. profit before interest and depreciation)	2968	1796
Cash profit (ie. profit before depreciation)	1739	466
Profit/(loss) before tax	646	(538)
Profit/(loss) after tax	469	(382)
Earnings per share – Basic Rs.	11.00	(8.96)



Dividend

With a view to conserving the reserves and also to meet the increase in requirements of working capital, your directors do not recommend any dividend for the year ended March 31, 2010.

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 performance

The initial worries associated with economic slowdown endured at the beginning of the year have been replaced with cautious optimism for the Indian market as the demand and price for yarn picked up from the middle of the year 2009. The fiscal and other initiatives taken by the Government of India have eased the pressures in the economy leading to a revival of textile industry. However the high raw material cost and the continuing power cut and restrictions on power supply during peak hour affected the performance of textile industry in Tamilnadu.

(b) Company's performance

Despite the above said adverse factors, the turnover of your Company increased to Rs.14,038 lakhs as against Rs.11,693 lakhs, an improvement of 20% due to buoyant yarn selling price combined with good demand for yarn in the domestic market. In spite of a record cotton crop, prices continued to rule abnormally high on account of Government's decision allowing exports of cotton. Consequently the operating profit increased to Rs.2968 lakhs from Rs.1796 lakhs.



Your Company's Wind Energy Converters (WEC) generated power of the value of Rs.1011 lakhs as against Rs.859 lakhs in the previous year. During the year also, your Company earned an income of Rs.107 lakhs from carbon credits as against Rs.166 lakhs in the previous year.

(c) Outlook

The cotton price continues to be high in spite of expected record production of cotton crop and restrictions on export of cotton. Correspondingly the yarn prices are also ruling high, while the demand for yarn in the domestic market is encouraging. However the divergent interests of different sectors of the textile industry need to be properly balanced and the timely intervention by the Central Government continues to be necessary. Barring unforeseen circumstances, your directors are confident that during the current year also your Company will be able to increase its productivity and profitability significantly.

(d) Strategies and Future plans

As part of future plans the deferred expansion will be taken up for implementation, provided the present situation continues to improve. The Company also is actively examining the entry into weaving sector. This will help to improve value addition as well as captive consumption of yarn.

(e) Risks and concerns

(1) Industry risk

The main twin risks in this industry, especially in the cotton yarn spinning sector, are the procurement prices for quality cotton and the fluctuation in yarn realization. Raw material prices, as is common with every industry, are conditioned by their supply position in the market. This problem invariably gets compounded by the impact of import duty on cotton which sometimes renders the prices uneconomical and unrestricted export of cotton.

In the case of marketing of yarn, the price realisation depends on the demand from garment manufacturers and power loom sector. In recent times the competition from the emerging economies in the neighbouring countries such as Sri Lanka, China and Pakistan with their comfortable status engendered by the preferential treatment in USA and EU markets pose a real challenge to the textile yarn spinning units.

The vagaries in the power situation in Tamilnadu, accentuated by the monsoon playing truant, affects the smooth flow of production resulting in higher cost without corresponding increase in the realisation.

(2) Currency risk

Your Company is taking the requisite ongoing steps to closely monitor the exchange rate movements by proper hedging against various associated risks.

(3) Quality concern

Quality of yarn manufactured is the single most important factor that will take a Company forward in its success story. Your Company has been aware of the said importance from its inception and the progress that it has made through the years was mainly because of the strict adherence to the quality of its yarn which has resulted in the Company reaping the best possible price for its yarn, both in the internal and international markets. The award of ISO 9001:2000 accreditation to the Company and Organic cotton standards certificate of the Control Union Certifications, Netherlands and ECO certificate from Shirley Technologies Limited, UK are fitting testimony of the efforts taken by the Company in this regard.

(4) Research and development

Your Company's Research and development activities have been taken care of by a separate wing called 'Sambandam Research and Development Foundation'. On the strength of its research and development efforts under the said foundation, the National Accreditation Board for Testing and Calibration Laboratories, New Delhi, has granted accreditation.

(f) Internal control and systems

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

**(g) Human resources management**

Employees are your Company's most valuable resource. Your Company continues to create a favourable environment at work place. Your Company has various welfare measures both government sponsored and privately envisaged. The Company also recognises the importance of training and consequently deputed its work force to various work related courses/seminars including important issues like Total Quality Management (TQM). Because of these, your Company is able to attract and retain well trained and dedicated workforce. The fact that the relationship with the employees continued to be cordial is testimony to the Company's ability to retain high quality workforce. In view of the aforesaid relationship no man days were lost during the year under report.

(h) Corporate Social Responsibility

Your Company's main activity may be centered around making quality yarn but its concerns reach out beyond the above stated business, to the welfare of your Company's employees and to the society at large to which your Company owes its growth. With this initiative, your Company has been imparting comprehensive training to the new entrants to the Company's fold, simultaneously continuing technical education to the existing staff and workforce. Your Company, along with your group's associate Company Kandagiri Spinning Mills Limited, is collaborating with two multi speciality hospitals in Salem which, apart from rendering medical service to your Company's employees and their families are also offering medical relief to the public at large at subsidized rates.

(i) 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.

Directors

Sri V. Mahadevan and Sri V. Gopalan retire by rotation and are eligible for reappointment.

Sri D. Sudharsan, Whole time Director, whose period of appointment expired on March 31, 2010 was not willing for reappointment as Whole time Director in view of his preoccupation with other Companies. However he continues to be a Director of the Company.

The Company's Code of Conduct applicable to the board has been adopted by the board and all the directors of the Company have confirmed compliance with the Code of Conduct.

Auditors

The auditors, 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.

Annexure

Annexure to this report details Statement on directors' responsibility, conservation of energy, technology absorption, Research and Development and foreign exchange earnings and outgo.

Appreciation

Your directors 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 and 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.

Your directors thank State Bank of India, Karnataka Bank Limited, IDBI Bank Limited, Axis Bank Limited, Canara Bank, Indian Overseas Bank and Central Bank of India, the Government of Tamil Nadu and other government agencies for their support, and look forward to their continued support in future.

Salem
May 29, 2010

For and on behalf of the Board
S. Devarajan
Chairman and Managing Director



Annexure to Directors' Report

(i) Directors' Responsibility Statement as per section 217(2AA) of the Companies Act, 1956

Responsibility in relation to financial statements

The financial statements have been prepared in conformity, in all material respects, with the applicable Accounting Standards in a consistent manner and supported by reasonable and prudent judgements and estimates. The Directors believe that the financial statements reflect true and fair view of the financial position as on 31.3.2010 and of the results of operations for the year ended 31.3.2010.

The financial statements have been audited by M/s M.S. Krishnaswami & Rajan, Chartered Accountants in accordance with generally accepted auditing standards, which include an assessment of the systems of internal controls and tests of transactions to the extent considered necessary by them to support their opinion.

Going Concern

In the opinion of the Directors, the Company will be in a position to carry on its existing spinning of yarn business and accordingly it is considered appropriate to prepare the financial statements on the basis of going concern.

Maintenance of accounting records and Internal controls

The Company has taken proper and sufficient care for the maintenance of adequate accounting records as required by various Statutes.

Directors have overall responsibility for the Company's internal control system, which is designed to provide a reasonable assurance for safeguarding of assets, reliability of financial records and for preventing and detecting fraud and other irregularities.

The system of internal control is monitored by the internal audit function, which encompasses the examination and evaluation of the adequacy and effectiveness of the system of internal control and quality of performance in carrying out assigned responsibilities. Internal Audit Department interacts with all levels of management and the Statutory Auditors, and reports significant issues to the Audit Committee of the Board.

Audit Committee supervises the financial reporting process through review of accounting and reporting practices, financial and accounting controls and financial statements. Audit Committee also periodically interacts with internal and statutory auditors to ensure quality and veracity of Company's accounts.

Internal Auditors, Audit Committee and Statutory Auditors have full and free access to all the information and records as considered necessary to carry out their responsibilities. All the issues raised by them have been suitably acted upon and followed up.

(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

(i) Purchased units*	'000 KWH	2009-10	2008-09
Total cost	Rs. lakhs	13,452	13,178
Cost/unit	Rs.	816	777
		6.06	5.89

*net of units generated thro' Wind Energy Converters

(ii) Own generation

1) Through Diesel Generator

Generated units	'000 KWH	5,871	3,429
Units per litre of diesel	KWH	2.97	2.95
Cost/unit	Rs.	10.15	10.02

2) Through steam turbine/generator

		—	—
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3) Through Wind energy converters

Generated units(fed to TNEB Grid)	'000 KWH	24,414	23,241
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Cost/unit - Cost includes maintenance charges, interest and depreciation	Rs.	2.84	3.03
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2 Coal		—	—
3 Furnace oil		—	—
4 Others		—	—



Annexure to Directors' Report (contd.)

(b) Consumption per unit of production

Production (yarn)*	Kgs. lakhs	78.51	68.22
Consumption of electricity	'000 KWH	43,737	39,848
Consumption per kg. of Yarn	KWH	5.57	5.84

*excluding production through outsourcing

B Technology absorption and research and development

— —

C Foreign exchange earnings and outgo**(a) Activities relating to exports**

Yarn exports (including merchandise exports)	Rs. lakhs	2612.48	2572.20
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(b) Total Foreign exchange used and earned**1) CIF value of Imports**

Capital goods*	Rs. lakhs	—	456.70
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Spares for Capital goods*	Rs. lakhs	13.09	72.36
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Raw materials – cotton*	Rs. lakhs	737.04	930.24
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*exclusive of net exchange difference

2) Other expenditure in foreign currency

Interest	Rs. lakhs	38.31	34.14
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Other matters	Rs. lakhs	3.85	1.33
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3) Foreign exchange earned

Yarn export	Rs. lakhs	82.75	63.87
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(iii) Particulars of employees – information pursuant to section 217(2A) of the Companies Act, 1956**(a) Employed throughout the year and in receipt of remuneration aggregating to Rs.24,00,000 or more**

Name	Age	Designation	Gross remuneration	Qualification	Experience	Date of appointment	Previous employer
S.Devarajan	61	Chairman and Managing director	Rs.36,00,000	B.Sc.	33 years	July 24, 1977	—
S.Jegarajan	59	Joint Managing director	Rs.30,00,000	Matriculate	26 years	June 24, 1984	—
S.Dinakaran	53	Joint Managing director	Rs.6,00,000	B.A.	26 years	June24, 1984	—

b) Employed for part of the year and in receipt of remuneration of Rs.2,00,000 or more per month - NIL

Note : Remuneration includes salary and value of perquisites and nature of employment is contractual.

Salem,
May 29, 2010For and on behalf of the Board
S. Devarajan
Chairman and Managing Director**(iv) Code of Conduct for the Senior Management**

As required under Clause 49(1)(D) of the Listing Agreements with the Stock Exchanges, 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, 2010.

Salem,
May 29, 2010**S. Devarajan**
Chairman and Managing Director



Auditors' Report to the Members

1. We have audited the attached Balance Sheet of **Sambandam Spinning Mills Limited** as at March 31, 2010 and the relative Profit and loss Account and the Cash flow statement for the year ended on that date (the year), signed by us under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing and assurance standards generally accepted in India. The said Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
4. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books.
5. The financial statements dealt with by this report are in agreement with the books of account.
6. In our opinion, the financial statements comply in all material respects with the applicable Accounting Standards referred to in section 211(3C) of the Companies Act, 1956 (the Act).
7. Based on the written representation received from the directors as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is prima facie disqualified as on March 31, 2010 from being appointed as a director in terms of section 274(1)(g) of the Act.
8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements read with the Significant accounting policies and Notes to the accounts, give the information required by the Act in the manner so required and also give a true and fair view, in conformity with the accounting principles generally accepted in India:
 - 8.1 in the case of the Balance sheet, of the state of affairs of the Company as at March 31, 2010;
 - 8.2 in the case of the Profit and loss account, of the profit for the year; and
 - 8.3 in the case of the Cash flow statement, of the cash flows for the year.
9. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Government of India in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report that:
 - 9.1 In our opinion, the Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets. These fixed assets have been physically verified by the management during the year at reasonable intervals and no material discrepancies were noticed on such verification. The Company has not disposed off during the year substantial part of its fixed assets.
 - 9.2 Physical verification of inventory has been conducted at reasonable intervals by the management. In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory and no material discrepancies were noticed on such verification as compared to the book records.
 - 9.3 The Company has neither granted nor taken any loans, secured or unsecured, during the year to/from parties and Companies listed in the register maintained under section 301 of the Act.



- 9.4 In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- 9.5 (i) The particulars of contracts or arrangements that need to be entered into a register under section 301 of the Act have been entered.
(ii) In our opinion, each of the transactions exceeding the value of Rs.5,00,000 pursuant to the aforesaid contracts/arrangement have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 9.6 In our opinion, the Company has complied with the provisions of sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 1975 with regard to deposits accepted from public.
- 9.7 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 9.8 On the basis of the records produced, we are of the opinion that prima facie, the cost records and related accounts prescribed by the Central Government under section 209(1)(d) of the Act have been made and maintained by the Company. However, we are not required to carry out and have not carried out any detailed examination of such records and accounts.
- 9.9 (i) In our opinion, the Company has been regular during the year in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities.
(ii) There are no dues of Income tax, wealth tax, service tax, customs duty which have not been deposited on account of any dispute. Details of dues towards excise duty and sales tax that have not been deposited on account of any dispute are (Nature of dues, dues, forum where dispute is pending) –Excise duty, Rs.84,65,343, Customs, Excise and Service tax Appellate Tribunal; Sales tax, Rs.6,52,044, Deputy Commissioner of Commercial taxes.
- 9.10 The Company does not have any accumulated losses at the end of the year and has not incurred any cash losses in the year or in the immediately preceding year.
- 9.11 In our opinion, the Company has not defaulted during the year in repayment of dues to any financial institution, bank or debenture holders.
- 9.12 The Company has not granted during the year loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 9.13 The provisions of any special statute applicable to a chit fund, nidhi, mutual benefit fund/societies are not applicable to the Company.
- 9.14 The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- 9.15 The Company has not given any guarantees for loans taken by others from banks or financial institutions.
- 9.16 In our opinion, the term loans availed by the Company during the year, were, prima facie, applied for the purpose for which they were obtained.
- 9.17 Based on an overall examination of the financial statements of the Company, we report that no funds raised on short-term basis have been used for long term investment.
- 9.18 The Company has not made during the year any preferential allotment of shares to any party.
- 9.19 The Company has not issued during the year any debentures.
- 9.20 The Company has not raised money during the year by public issue of shares or other securities.
- 9.21 No instances of fraud of material significance perpetrated on or by the Company been noticed or reported during the period covered by our audit.

For M.S. Krishnaswami & Rajan
Chartered Accountants
Registration No.01554S
M.K. Rajan-Partner
Membership No.4059

Salem
May 29, 2010



Balance sheet as at March 31, 2010

			March 31, 2010 Rupees	March 31, 2009 Rupees
1. Sources of funds	Schedule	Rupees		
Shareholders' funds				
Capital	1.1	4,27,55,000		4,27,55,000
Reserves and surplus	1.2	<u>59,59,91,610</u>		<u>55,45,38,272</u>
			63,87,46,610	59,72,93,272
Loan funds				
Secured loans	1.3	154,47,83,208		145,89,46,306
Unsecured loans	1.4	<u>7,48,83,495</u>		<u>9,30,20,891</u>
			161,96,66,703	155,19,67,197
Deferred tax liability-net			22,46,78,107	20,69,78,107
			<u>248,30,91,420</u>	<u>235,62,38,576</u>
2. Application of funds				
Fixed assets	1.5			
Gross block		285,63,11,717		283,63,70,730
Less depreciation		<u>101,86,73,408</u>		<u>90,39,85,308</u>
Net block		183,76,38,309		193,23,85,422
Capital work in progress		<u>1,05,30,557</u>		<u>11,31,403</u>
			184,81,68,866	193,35,16,825
Investments	1.6		2,10,02,972	2,10,02,972
Current assets, loans and advances				
Inventories	1.7	49,04,82,437		18,81,36,583
Sundry debtors	1.8	16,52,70,584		21,63,11,982
Cash and bank balances	1.9	3,82,42,963		3,14,67,553
Other current assets	1.10	3,54,91,730		3,68,34,974
Loans and advances	1.11	<u>9,91,57,464</u>		<u>9,36,19,040</u>
		82,86,45,178		56,63,70,132
Less				
Current liabilities and provisions				
Liabilities	1.12	19,31,15,654		14,38,88,636
Provisions	1.13	<u>2,24,96,615</u>		<u>2,59,47,367</u>
		21,56,12,269		16,98,36,003
Net current assets			61,30,32,909	39,65,34,129
Miscellaneous expenditure	1.14		8,86,673	51,84,650
			<u>248,30,91,420</u>	<u>235,62,38,576</u>
Significant accounting policies and Notes to the accounts	3			

Per our report of even date
For M.S. Krishnaswami & Rajan

Chartered Accountants

M.K. Rajan-Partner

Salem

May 29, 2010

For and on behalf of the Board

S. Devarajan

Chairman and Managing Director

S. Dinakaran

Joint Managing Director

R.S. Shanmugam

Company Secretary
and Chief Financial Officer



Profit and loss account for the year ended March 31, 2010		2009-10	2008-09
		Rupees	Rupees
	Schedule		
1. Income			
Sales and conversion charges earned	2.1	140,38,39,810	116,93,27,261
Other income	2.2	51,62,440	19,85,222
		<u>140,90,02,250</u>	<u>117,13,12,483</u>
2. Expenditure			
Materials	2.3	76,24,27,540	69,63,05,983
Conversion charges paid		65,91,541	26,19,727
Stores and spare parts consumed		3,83,97,808	4,28,08,450
Power and fuel-net		11,83,19,701	9,25,96,713
Repairs to assets	2.4	2,23,67,392	1,69,60,689
Human resources	2.5	12,82,77,473	10,48,84,187
Other expenses	2.6	2,91,77,445	2,93,22,170
Financial expenses-net	2.7	12,95,79,295	13,92,46,021
Depreciation/amortisation	2.8	10,92,34,754	10,03,31,046
		<u>134,43,72,949</u>	<u>122,50,74,986</u>
3. Profit			
Profit/(loss) before tax		6,46,29,301	(5,37,62,503)
Provision for taxation			
Current tax - Income tax (vide note		—	—
15 of Schedule 3.II to the accounts)			
- Fringe benefit tax		—	5,00,000
Deferred tax liability - Recognition/(withdrawal)		1,77,00,000	(1,60,53,854)
Profit/(loss) after tax		<u>4,69,29,301</u>	<u>(3,82,08,649)</u>
Balance of profit/(loss) from prior year		(2,95,49,564)	86,59,085
		<u>1,73,79,737</u>	<u>(2,95,49,564)</u>
Amount shown as a deduction from			
General reserve per contra		—	2,95,49,564
		<u>1,73,79,737</u>	—
4. Appropriations			
Transfer to General reserve		1,50,00,000	—
Proposed dividend		—	—
Corporate dividend tax on proposed dividend		—	—
Balance profit carried to balance sheet		23,79,737	—
		<u>1,73,79,737</u>	<u>—</u>
5. Earnings per share-Basic (Face value Rs.10)			
		<u>11.00</u>	<u>(-) 8.96</u>
Significant accounting policies and	3		
Notes to the accounts			

Per our report of even date
For M.S. Krishnaswami & Rajan
Chartered Accountants
M.K. Rajan-Partner
Salem
May 29, 2010

For and on behalf of the Board
S. Devarajan Chairman and Managing Director
S. Dinakaran Joint Managing Director
R.S. Shanmugam
Company Secretary
and Chief Financial Officer



Cash flow statement for the year ended March 31, 2010		2009-10 Rupees	2008-09 Rupees
1	Cash flow from operating activities		
1.1	Profit/Loss (-) before tax and exceptional item	6,46,29,301	(-) 5,37,62,503
1.2	Adjustment for		
(1)	Depreciation and amortisation	10,92,34,754	10,03,31,046
(2)	Deferred revenue expenses		
(i)	Amortised in revenue	46,23,374	39,29,463
(ii)	Incurred	-	(-) 1,49,000
(3)	Unrealised foreign exchange gain(-)/loss	(-) 85,10,720	27,84,500
(4)	Amount considered under investing activities		
(i)	Profit(-) / Loss on disposal of assets	(-) 5,23,000	(-) 19,20,808
(ii)	Income from investments	(-) 59,450	(-) 58,500
(5)	Amounts considered under financing activities		
(i)	Interest paid	12,62,67,037	13,71,27,030
(ii)	Interest received	(-) 33,07,693	(-) 40,52,694
1.3	Operating profit before working capital changes	29,23,53,603	18,42,28,534
1.4	Adjustments for changes in		
(i)	Inventories	(-) 30,23,45,854	16,16,18,502
(ii)	Trade and other receivables (excluding amounts pertaining to fixed assets)	5,89,76,196	(-) 33,11,069
(iii)	Trade and other payables (excluding amounts pertaining to fixed assets and interest accrued but not due)	5,76,78,455	1,14,64,072
1.5	Cash generated from operating activities	10,66,62,400	35,40,00,039
1.6	Direct Taxes paid	(-) 1,04,33,358	(-) 73,22,136
1.7	Net cash flow from operating activities (1)	9,62,29,042	34,66,77,903
2	Cash flow from investing activities		
2.1	Payments for acquisition of assets		
(1)	Additions as per schedule 5	(-)2,79,38,216	(-)50,44,91,386
(2)	Adjustment for changes in		
(i)	Capital work in progress	(-) 93,99,154	28,35,07,456
(ii)	Capital creditors-net	(-) 38,71,854	5,65,00,161
		(-) 4,12,09,224	(-)16,44,83,769
2.2	Adjustment for changes in deposits maturing more than one year	(-) 14,99,100	22,48,100
2.3	Sale proceeds of fixed assets	8,03,826	26,42,362



Cash flow statement for the year ended March 31, 2010 (Contd.)		2009-10 Rupees	2008-09 Rupees
2.4	Refund of terminal excise duty relating to acquisition of assets	73,68,389	1,21,64,036
2.5	Interest received	33,07,693	40,52,694
2.6	Income from Investments	59,450	58,500
2.7	Net cash utilised in investing activities (2)	(-) 3,11,68,966	(-)14,33,18,077
3.	Cash flow from financing activities		
3.1	Borrowings - Raised - Long term	6,67,53,334	11,94,09,584
	- Short term	—	—
	- Repaid - Long term	(-) 5,73,69,206	(-) 13,82,37,201
	- Short term	—	(-) 6,37,93,758
3.2	Interest paid	(-) 12,62,67,037	(-)13,71,27,030
3.3	Dividend paid including tax thereon	—	(-)1,24,73,422
3.4	Net Cash from Financing Activities (3)	(-) 11,68,82,909	(-) 23,22,21,827
4.	Net increase/(decrease) in cash flows (1) + (2) + (3)	(-) 5,18,22,833	(-) 2,88,62,001
5.	Represented by movement in cash and cash equivalents as under :		
5.1	At beginning		
(i)	Cash and bank balances (excluding bank deposits maturing more than one year)	2,91,17,653	1,95,94,536
(ii)	Cash credit balances	(-) 30,94,98,002	(-) 27,11,12,884
		(-) 28,03,80,349	(-) 25,15,18,348
5.2	At end		
(i)	Cash and bank balances (excluding bank deposits maturing more than one year)	3,43,93,963	2,91,17,653
(ii)	Cash credit balances	(-)36,65,97,145	(-)30,94,98,002
		(-) 33,22,03,182	(-) 28,03,80,349
5.3	Movement	(-) 5,18,22,833	(-) 2,88,62,001
		=====	=====
Per our report of even date For M.S. Krishnaswami & Rajan Chartered Accountants M.K. Rajan-Partner Salem May 29, 2010		For and on behalf of the Board S. Devarajan Chairman and Managing Director R.S. Shanmugam Company Secretary and Chief Financial Officer S. Dinakaran Joint Managing Director	



Schedules to the Balance Sheet

	March 31, 2010 Rupees	March 31, 2009 Rupees
1.1 Capital		
Authorised		
50,00,000 Equity shares of Rs.10 each	<u>5,00,00,000</u>	<u>5,00,00,000</u>
Issued		
42,86,400 Equity shares of Rs.10 each	<u>4,28,64,000</u>	<u>4,28,64,000</u>
Subscribed		
42,64,600 Equity shares of Rs.10 each	<u>4,26,46,000</u>	<u>4,26,46,000</u>
Add Forfeited shares (amount paid-up)	<u>1,09,000</u>	<u>1,09,000</u>
	<u>4,27,55,000</u>	<u>4,27,55,000</u>
1.2 Reserves and surplus		
Capital reserve		
Securities premium	5,39,09,064	5,39,09,064
Revaluation reserve	29,64,52,016	30,02,16,417
Cenvat credit relating to capital assets	<u>32,50,793</u>	<u>49,62,355</u>
	<u>35,36,11,873</u>	<u>35,90,87,836</u>
General reserve	24,00,00,000	22,50,00,000
Amount shown as a deduction in profit and loss account per contra	—	(2,95,49,564)
Surplus - Balance in profit and loss account	<u>23,79,737</u>	<u>—</u>
	<u>59,59,91,610</u>	<u>55,45,38,272</u>
1.3 Secured loans		
From bankers - Term loans	110,96,44,098	112,21,68,418
- Cash credit facilities/Short term loan	36,65,97,145	30,94,98,002
- Buyer's credit facilities	<u>6,85,41,965</u>	<u>2,72,79,886</u>
	<u>154,47,83,208</u>	<u>145,89,46,306</u>
1.4 Unsecured loans		
Fixed deposits	6,60,43,567	7,76,35,526
Sales-tax deferral	<u>88,39,928</u>	<u>1,53,85,365</u>
	<u>7,48,83,495</u>	<u>9,30,20,891</u>
1.5 Fixed assets		

	Cost/valuation March 31, 2009	Additions/ (Deductions)	Cost/valuation March 31, 2010	Depreciation/accrual to date	Net Block	
					March 31, 2010	March 31, 2009
Land	23,25,01,000	—	23,25,01,000	—	23,25,01,000	23,25,01,000
Buildings	43,92,22,181	25,87,955	44,18,10,136	6,31,02,503	37,87,07,633	39,03,54,210
Structures on lease hold land	32,53,863	—	32,53,863	13,01,544	19,52,319	22,77,717
Plant and machinery	150,58,62,259	2,29,23,591 (79,97,229)	152,07,88,621	67,31,64,417	84,76,24,204	89,61,86,379
Wind energy converters	60,46,63,900	—	60,46,63,900	25,22,84,579	35,23,79,321	38,37,77,448
Furniture and office equipments	67,96,112	26,000	68,22,112	35,24,924	32,97,188	37,93,979
Vehicles	1,37,25,761	24,00,670	1,61,26,431	81,17,285	80,09,146	69,73,508
Live stock	32,240	—	32,240	—	32,240	32,240
Intangible assets - acquired Computer software	1,67,68,414	—	1,67,68,414	36,33,156	1,31,35,258	1,64,88,941
Trade name	1,35,45,000	—	1,35,45,000	1,35,45,000	—	—
	<u>283,63,70,730</u>	<u>2,79,38,216 (79,97,229)</u>	<u>285,63,11,717</u>	<u>101,86,73,408</u>	<u>183,76,38,309</u>	<u>193,23,85,422</u>
Previous year	201,45,19,012	50,44,91,386 (1,57,88,510)	283,63,70,730	90,39,85,308	193,23,85,422	120,74,94,397



Schedules to the Balance Sheet (Contd.)			March 31, 2010	March 31, 2009
1.6 Investments	2010	2009	Rupees	Rupees
	No. of shares			
Equity shares of Companies of Rs. 10 each				
Karnataka Bank Limited	950	950	27,972	27,972
Sambandam Investment and Leasing Limited - unquoted	1,07,500	1,07,500	10,75,000	10,75,000
SPMM Healthcare Services Private Limited - unquoted	19,90,000	19,90,000	1,99,00,000	1,99,00,000
			<u>2,10,02,972</u>	<u>2,10,02,972</u>
1.7 Inventories				
Stores and spares			58,70,819	41,09,649
Cotton			35,65,27,034	6,59,70,035
Cotton-in-process			8,04,26,535	7,63,61,624
Yarn			4,62,21,374	4,11,41,722
Process waste			14,36,675	5,53,553
			<u>49,04,82,437</u>	<u>18,81,36,583</u>
1.8 Sundry debtors				
(Unsecured, considered good)				
Trade			14,34,86,647	19,59,68,875
Others			2,17,83,937	2,03,43,107
			<u>16,52,70,584</u>	<u>21,63,11,982</u>
Of the above age analysis of debts				
Debts over six months old			28,74,032	69,27,151
Other debts			16,23,96,552	20,93,84,831
			<u>16,23,96,552</u>	<u>20,93,84,831</u>
1.9 Cash and bank balances				
Cash on hand			19,98,482	24,19,986
Balance with Scheduled banks				
- Current account			1,68,98,682	1,03,70,101
- Deposit account			1,77,64,655	1,69,69,945
- Unclaimed dividend account			15,81,144	17,07,521
			<u>3,82,42,963</u>	<u>3,14,67,553</u>
1.10 Other current assets				
(Unsecured, considered good)				
Deposit with government, public bodies and others			3,00,68,840	3,01,02,187
Prepaid expenses			40,95,070	41,75,064
Interest accrued on deposits			13,27,820	25,57,723
			<u>3,54,91,730</u>	<u>3,68,34,974</u>
1.11 Loans and advances				
(Unsecured, considered good)				
Advances			6,52,72,583	5,28,05,504
Other receivables			3,38,84,881	4,08,13,536
			<u>9,91,57,464</u>	<u>9,36,19,040</u>



Schedules to the Balance Sheet (Contd.)	March 31, 2010	March 31, 2009
	Rupees	Rupees
1.12 Liabilities		
Acceptances	—	6,24,42,720
Trade creditors and accrued charges		
- Micro and small enterprises	3,07,460	2,04,747
- Others	18,28,76,541	7,18,54,058
Trade deposits and advances	21,99,000	21,98,340
Interest accrued but not due on loans	3,08,310	4,51,260
Unclaimed dividend	15,81,144	17,07,521
Other liabilities	58,43,199	50,29,990
	<u>19,31,15,654</u>	<u>14,38,88,636</u>
1.13 Provisions		
Employee benefits (refer note 27 of schedule 3.II to the accounts)	2,24,96,615	2,59,47,367
Proposed dividend	—	—
Corporate dividend tax on proposed dividend	—	—
	<u>2,24,96,615</u>	<u>2,59,47,367</u>
1.14 Miscellaneous expenditure		
Deferred replacement expenses	—	36,44,514
Loan raising expenses	8,86,673	15,40,136
Expenditure not written off or adjusted	8,86,673	51,84,650
	<u>8,86,673</u>	<u>51,84,650</u>
Schedules to the Profit and loss account	2009-10	2008-09
	Rupees	Rupees
2.1 Sales and conversion charges earned		
Yarn	135,47,13,898	111,24,87,615
Process waste	8,06,24,605	7,96,73,280
	<u>143,53,38,503</u>	<u>119,21,60,895</u>
Sales-tax and textile committee cess paid	3,39,21,096	2,65,63,205
	<u>140,14,17,407</u>	<u>116,55,97,690</u>
Yarn Conversion and testing charges earned [Tax deducted at source Rs. 50,304, (2008-09 Rs.1,08,603)]	24,22,403	37,29,571
	<u>140,38,39,810</u>	<u>116,93,27,261</u>
2.2 Other income		
Income from long term investments - Dividend	59,450	58,500
Profit on disposal of fixed assets	5,23,000	19,20,808
Exchange differences - net - gain	45,33,133	—
Miscellaneous income	46,857	5,914
	<u>51,62,440</u>	<u>19,85,222</u>
2.3 Materials		
Raw materials consumed		
- cotton	77,24,55,225	66,31,82,355
- others	—	1,18,20,331
	<u>77,24,55,225</u>	<u>67,50,02,686</u>
(Deduct)/Add Increase/decrease in value of stock in process, yarn and process waste	(1,00,27,685)	2,13,03,297
	<u>76,24,27,540</u>	<u>69,63,05,983</u>



Schedules to the Profit and Loss Account (Contd.)	2009-10	2008-09
	Rupees	Rupees
2.4 Repairs to assets		
Buildings	10,88,473	9,58,551
Plant and machinery	2,09,90,276	1,57,40,018
Other assets	2,88,643	2,62,120
	<u>2,23,67,392</u>	<u>1,69,60,689</u>
2.5 Human resources		
Salaries, wages and bonus	11,08,80,246	8,59,36,549
Contribution to provident, gratuity and other funds	89,63,149	1,09,13,049
Workmen and staff welfare expenses	84,34,078	80,34,589
	<u>12,82,77,473</u>	<u>10,48,84,187</u>
2.6 Other expenses		
Brokerage and commission on sales	1,29,98,745	1,02,12,627
Rent	4,20,400	1,22,000
Rates and taxes	8,09,280	5,88,491
Insurance	13,37,432	16,14,325
Travel and vehicles upkeep	76,00,750	70,17,333
Donation and charity	89,951	11,89,500
Directors' sitting fees	3,87,500	4,02,500
Frieght outwards	(1,58,606)	25,06,105
Exchange differences - net - loss	—	4,47,962
Miscellaneous expenses	56,91,993	52,21,327
	<u>2,91,77,445</u>	<u>2,93,22,170</u>
2.7 Financial expenses-net		
Interest paid on loans and other accounts	12,62,67,037	13,71,27,030
Less Interest earned on deposits and other accounts	33,07,693	40,52,694
[Tax deducted at source Rs.4,89,924, (2008-09 Rs.6,13,588)]		
	<u>12,29,59,344</u>	<u>13,30,74,336</u>
Bank and other financial charges	66,19,951	61,71,685
	<u>12,95,79,295</u>	<u>13,92,46,021</u>
2.8 Depreciation/amortisation		
Buildings	1,42,34,532	90,68,827
Plant and machinery	6,21,24,990	5,78,12,465
Wind Energy Converters	3,13,98,127	3,13,98,127
Furniture and office equipments	5,22,791	5,81,405
Vehicles	13,65,032	11,90,749
Intangible assets - acquired		
Computer software	33,53,683	2,79,473
	<u>11,29,99,155</u>	<u>10,03,31,046</u>
Less transfer from Revaluation reserve (refer note 26(ii) of Schedule 3.II to the accounts)	37,64,401	—
	<u>10,92,34,754</u>	<u>10,03,31,046</u>



Schedules to the Balance sheet and Profit and loss account

3 Significant accounting policies and Notes to the accounts

I Significant accounting policies

- 1 Basis of preparation of financial statements - The financial statements are prepared in accordance with the generally accepted accounting principles including accounting standards in India under historical cost convention except in so far as they relate to revaluation of net assets.
- 2 Use of estimates – The preparation of 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 – Sales are recognized on dispatch to customers and include recovery towards sales tax, textile committee cess and export incentives. Revenue by way of, consideration receivable for the sale of goods, the rendering of services or, from the use by others of enterprise resources, and other benefits are recognised only when they are measurable and it would not be unreasonable to expect ultimate collection.
- 4 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 Profit and Loss account. 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 Profit and loss account. 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 Profit and loss account.
- 5 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.
- 6 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.
- 7 Depreciation/amortization – Fixed assets are depreciated/amortised in the following manner: (i) assets like (a) structures on lease hold land, over their estimated useful life or ten years, whichever is lower, (b) computer software and trade name, over their estimated useful life or five years, whichever is lower; (ii) other assets, over their estimated useful lives or lives derived from the rates specified in Schedule XIV to the Companies Act, 1956, whichever is lower; (iii) depreciation/amortization is provided for the period the asset is put to use, (iv) Cost of land pertaining to the Wind Energy Converters is amortised in the same manner as the cost of the said converters are depreciated. No depreciation is reckoned in the year of disposal.



Schedules to the Balance sheet and Profit and loss account (Contd.)

Significant accounting polices (contd.)

- 8 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 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.
- 9 Investments – These are carried at cost of acquisition and related expenses less provision for diminution other than temporary, if any.
- 10 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.
- 11 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 to 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.
- 12 Deferred revenue expenditure – Major revenue expenditure incurred by way of/in connection with (i) planned replacement of worn out parts of plant and equipments and (ii) raising of borrowing, is amortised (i) over the estimated period the benefit from such expenditure is expected to enure in the case of (i) above and over the period of the borrowings in the case of (ii) above.
- 13 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.
- 14 Taxation - Income tax expense comprises of current tax, deferred tax charge or credit and fringe benefit tax. Provision for current tax is made with reference to taxable income for the current accounting year by applying the applicable tax rate. 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. The deferred tax charge or credit is recognised using prevailing tax rates. 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.
- 15 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.



Schedules to the Balance sheet and Profit and loss account (Contd.)

March 31,
2010March 31,
2009

II Notes to the accounts

1 Quantitative Information

(i)	Capacities	- Installed	Spindles	85,452	84,252
(ii)	Production	- Yarn	Kgs.	78,50,730	68,96,997
		- Process waste	Kgs.	25,45,671	22,32,247
(iii)	Consumption	- Cotton	Kgs.	1,05,89,785	94,34,187
		- Others	Kgs.	—	74,784
(iv)	Sales	- Yarn	Kgs.	78,45,721	70,63,205
		- Waste	Kgs.	25,09,597	22,37,737
(v)	Stocks at end			March 31, 2010	March 31, 2009
					March 31, 2008
	Yarn		Kgs.	2,29,184	2,24,175
			Rs.	4,62,21,374	4,11,41,722
	Process waste		Kgs.	45,318	9,244
			Rs.	14,36,675	5,53,553
	Cotton-in-process		Rs.	8,04,26,535	7,63,61,624
				March 31, 2010	March 31, 2009

2 Consumption of materials

Raw materials (Cotton, others)	- Imported	6,35,73,170	9,40,65,739
		(8.23 %)	(13.94 %)
	- Indigenous	70,88,82,055	58,09,36,947
		(91.77 %)	(86.06 %)
There was no consumption of components and spare parts pertaining to finished goods			

3 Foreign exchange earnings/outflow

(i)	Export of goods (Yarn) - FOB basis	82,17,588	62,95,541
	Others (Freight recovery)	57,501	91,401
(ii)	Imports (CIF)	—	4,56,69,772
	- Machinery		
	- Machinery spares	13,08,804	72,35,730
	- Cotton	7,37,04,347	9,30,23,632
(iii)	Expenditure in	38,30,815	34,13,879
	foreign currency	3,84,744	1,32,525
(iv)	Remittance of dividend to Non-Resident Shareholders	—	—

4. Earnings per share

Profit/(Loss) after taxation as per Profit and loss account (A)	4,69,29,301	(3,82,08,649)
Number of equity shares outstanding (B)	42,64,600	42,64,600
Earnings per share (in Rupees) – Basic (A/B)	11.00	(8.96)



Schedules to the Balance sheet and Profit and loss account (Contd.)

II Notes to the accounts (contd.)	March 31, 2010 Rupees	March 31, 2009 Rupees
5 Deferred taxation		
Deferred tax liability		
Pertaining to timing differences on account of		
Depreciation	26,97,27,105	26,78,99,830
Deferred revenue expenses	—	20,12,966
	<u>26,97,27,105</u>	<u>26,99,12,796</u>
Deferred tax asset		
Pertaining to unabsorbed tax depreciation	3,86,37,528	5,70,79,232
Pertaining to provision for employee benefits	64,11,470	58,55,457
Net Deferred tax liability as per Balance Sheet	<u>22,46,78,107</u>	<u>20,69,78,107</u>
6 Segment information		
The Company is principally engaged in a single business segment viz.. cotton yarn and operates in one geographical segment as per Accounting Standard 17 on 'Segment Reporting'.		
7 Related party disclosure		
(i) Related parties with whom transactions have taken place during the year		
(1) Key management personnel		
- Sri S. Devarajan – Chairman and Managing Director		
(2) Associate		
- SPMM Healthcare Services Private Limited		
(3) Parties where significant influence exists		
- S. Palaniandi Mudaliar Charitable Trust		
- Sambandam Spinning Mills Gratuity Trust		
(ii) Transactions with related parties		
(1) Key management personnel		
- Interest payment	36,509	—
- Dividend payment	—	9,13,103
- Remuneration	36,00,000	24,00,000
- Fixed deposits received	3,25,000	—
- Outstanding balances under Fixed deposits	3,57,852	—
(2) Parties where significant influence exists		
S. Palaniandi Mudaliar Charitable trust		
- Payments for employee welfare services	6,44,087	9,36,391
- Contribution paid	—	11,00,000
Sambandam Spinning Mills Gratuity trust		
- Contribution paid / payable	36,33,803	61,10,633



Schedules to the Balance sheet and Profit and loss account

II Notes to the accounts (contd.)

- 8** Issued and subscribed capital include 24,85,900 (March 31, 2009 – 24,85,900) Equity shares allotted as fully paid up by way of bonus shares by capitalisation of part of General reserve.
- 9** Movement in reserves – (i) Additions: (1) Amount appropriated from the profit and loss account to General reserve Rs.1,50,00,000 (March 31, 2009 Rs. Nil); and (2) Amount credited to Revaluation reserve on account of revaluation of net assets of the Company Rs. Nil (March 31, 2009 Rs.30,02,16,417); (ii) Deduction: Amount amortised from Cenvat credit relating to capital assets and adjusted in Depreciation in Schedule 2.8 Rs.17,11,562 (March 31, 2009 Rs.18,10,284).
- 10** Particulars for secured loans – (i) Term loans from banks to an extent of Rs.88,40,29,004 (March 31, 2009 Rs.87,98,19,756) are secured by a first charge on the Company's immovable and movable properties (excluding book debts) subject to the charge stated in (iii) infra, (ii) Term loans from banks to an extent of Rs.22,56,15,094 (March 31, 2009 Rs.24,23,48,662) are secured by hypothecation of certain specific assets, and (iii) Cash credit/buyer's credit facilities are secured by a first charge on the Company's current assets and by a second charge on the Company's immovable and movable properties (other than those covered under the first charge mentioned in (i) supra, and (iv) All the loans are guaranteed by four directors.
- 11** Unsecured loans include – (i) fixed deposits from directors Rs.12,15,000 (March 31, 2009 Rs.65,000), and (ii) amounts repayable within twelve months from the balance sheet date Rs.2,65,20,025 (March 31, 2009 Rs.1,85,27,437).
- 12** Fixed assets – (i) Cost of additions and capital work-in-progress includes borrowing cost of Rs. Nil (March 31, 2009 Rs.1,48,66,583) and other expenses in the course of construction Rs. Nil (March 31, 2009 Rs.96,56,514); (ii) Deductions under plant and machinery includes terminal excise duty refund under Export Promotion Capital Goods Scheme, of Rs.73,68,389 (March 31, 2009 Rs.1,21,64,036); and (iii) Gross block includes Rs.33,31,48,842 added on revaluation of land and buildings as at March 31, 2009 based on report by an external valuer.
- 13** The net assets of the Company were revalued as on March 31, 2009 by an external valuer on the basis of (i) estimated market value in the case of land, (ii) estimated depreciated replacement cost in the case of other fixed assets; and (iii) estimated amounts realisable/payable in the case of other assets and liabilities. The resulting net surplus on such revaluation aggregating to Rs.30,02,16,417 has been credited to revaluation reserve.
- 14** All investments are long term, non trade and quoted unless otherwise stated. Market value of quoted investments Rs.1,13,810 (March 31, 2009 Rs.61,940).
- 15** Loans and advances include Income tax paid in advance/deducted at source, net of provisions therefor. The income tax liability for March 31, 2010 as minimum alternate tax under section 115JB of the Income tax Act, 1961 amounting to Rs.96,00,000 is eligible to be carried forward and set off against future income tax under section 115JAA of the Income tax Act, 1961 and hence the minimum alternate credit entitlement is reckoned in the above head.
- 16** (i) 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.



- 17** 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 \$ 53,85,348 (March 31, 2009 US \$ 7,18,636) as at March 31, 2010 and has a net unhedged exposure of US \$ 1,41,199 (March 31, 2009 US\$10,52,570).
- 18** Estimated capital expenditure commitments (net of advances) Rs.16,66,62,174 (March 31, 2009 Rs.16,04,74,658).
- 19** Contingent liabilities: (i) Claims against the Company not acknowledged as debts Rs.57,64,988 (March 31, 2009 Rs.13,38,921); (ii) Guarantees issued by the Company's bankers towards disputed power tariff concession availed Rs.96,66,200 (March 31, 2009 Rs.96,66,200), (iii) Bills discounted with bankers Rs.2,83,55,291 (March 31, 2009 Rs.2,84,65,403) and (iv) Other contingent liabilities Rs.92,41,174 (March 31, 2009 Rs. Nil).
- 20** Raw materials consumed – others include consumption of yarn for manufacture of double/two-for-one yarn in 2008-09.
- 21** Power and fuel are net of (i) amount realised towards power generated through Wind energy converters and adjusted against the cost of power purchased from state electricity board Rs.10,11,26,530 (2008-09 Rs.8,59,41,751) and (ii) income from carbon credits Rs.1,07,25,017 (2008-09 Rs.1,65,58,074).
- 22** Repairs to buildings include amortization of cost of structures on leasehold land of Rs.3,25,398 (2008-09 Rs.3,25,380) and repairs to plant and machinery include amortization of cost of planned replacement of worn out parts of plant and machinery Rs.36,44,514 (2008-09 Rs.26,64,072).
- 23** Human resources – Particulars of managerial remuneration (i) To Managing Director – Salary Rs.21,60,000 (2008-09 Rs.14,40,000), Perquisites Rs.14,40,000 (2008-09 Rs.9,60,000), (ii) To Joint Managing Directors – Salary Rs.24,00,000 (2008-09 Rs.16,00,000), Perquisites Rs.12,00,000 (2008-09 Rs.10,40,000), (iii) To Whole-time Director – Salary Rs. Nil (2008-09 Rs.7,20,000), Perquisites Rs. Nil (2008-09 Rs.4,80,000).
- 24** Other expenses – (i) Donation and charity include contribution to Communist Party of India Rs. Nil (2008-09 Rs.10,000), (ii) Miscellaneous expenses include payments to auditors for Financial audit Rs.2,80,000 (2008-09 Rs.2,80,000), Cost audit Rs.44,000 (2008-09 Rs.44,000), Taxation work Rs.1,20,000 (2008-09 Rs.95,000), Other work Rs.78,000 (2008-09 Rs.55,000) and Expenses reimbursed to Statutory auditors Rs.98,479(2008-09 Rs.89,581), Cost auditors Rs.16,184 (2008-09 Rs.20,364).
- 25** Financial expenses – (i) Interest paid on fixed loans Rs.9,49,89,428 (2008-09 Rs.9,35,23,672) includes Rs.36,509 (2008-09 Rs. Nil) to the Managing Director; and (ii) Bank and other financial charges include amortisation of loan raising expenses Rs. 6,53,463 (2008-09 Rs.9,40,010).
- 26** Depreciation/amortisation – (i) Amortised cenvat credit deducted from capital reserve has been netted against the depreciation charge relating to the concerned plant and machinery; and (ii) Depreciation for the year computed on revalued assets includes a charge of Rs.37,64,401 (2008-09 Rs. Nil) being the excess depreciation computed by the method followed by the Company prior to revaluation and the same has been transferred from Revaluation reserve to the Profit and Loss account.



Schedules to the Balance sheet and Profit and loss account

II Notes to the accounts (contd.)

27 Employee benefits –

(i) Defined benefit plans – As per Actuarial valuation as on March 31, 2010

Rs. lakhs

	Gratuity (funded)		Compensated absences (unfunded)	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
A Expense recognised in the statement of Profit and Loss Account for the year ended March 31, 2010				
(i) Current service cost	20.86	20.85	1.19	1.35
(ii) Interest cost	19.72	16.17	11.63	10.89
(iii) Expected return on plan assets	(18.69)	(13.68)	—	—
(iv) Net actuarial (gain)/loss recognised during the year	14.45	37.77	3.54	7.33
(v) Total expenses	36.34	61.11	16.36	19.57
B Actual return on plan assets				
(i) Expected return on plan assets	(18.69)	13.68		
(ii) Actuarial gain/(loss) on plan assets	(3.51)	0.09		
(iii) Actual return on plan assets	(22.20)	13.77		
C Net Asset/(Liability) recognised in the Balance Sheet				
(i) Present value of the obligation	286.74	267.28	188.63	172.27
(ii) Fair value of plan assets	250.40	180.07	—	—
(iii) Funded status (surplus/ (deficit))	(36.34)	87.21	(188.63)	(172.27)
(iv) Unrecognised past service cost	—	—	—	—
(v) Net Asset/(Liability) recognised in the Balance Sheet	(36.34)	(87.21)	(188.63)	(172.27)
D Change in Present value of the obligation during the year				
(i) Present value of obligation as at beginning of the year	267.28	211.77	172.27	152.70
(ii) Current service cost	20.86	20.85	1.19	1.35
(iii) Interest cost	19.72	16.17	11.63	10.89
(iv) Benefits paid	(32.05)	(19.36)	—	—
(v) Actuarial (gain)/loss on obligation	10.93	37.85	3.54	7.33
(vi) Present value of obligation as at end of the year	286.74	267.28	188.63	172.27
E Change in Assets during the year				
(i) Fair value of plan assets as at beginning of the year	180.08	175.67		
(ii) Expected return on plan assets	16.30	13.68		
(iii) Contributions	87.20	10.00		
(iv) Benefits paid	(32.05)	(19.36)		
(v) Actuarial (gain)/loss on plan assets	(3.51)	0.09		
(vi) Fair value of plan assets as at end of the year	248.02	180.08		
F Experience adjustments in				
(i) Plan liabilities – loss/(gain)	10.93	37.85	3.54	7.33
(ii) Plan assets – loss/(gain)	3.51	0.09	—	—



Schedules to the Balance sheet and Profit and loss account

II Notes to the accounts (contd.)

	Gratuity (funded)		Compensated absences (unfunded)	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
G. Major categories of plan assets as a percentage of total plan				
(i) Government of India Securities	4 %	15 %		
(ii) State Government Securities	—	12 %		
(iii) High quality Corporate Bonds	—	10 %		
(iv) Special Deposit Scheme	—	10 %		
(v) Others (Bank deposits, mutual funds)	37 %	53 %		
(vi) SBI Life insurance Company	59 %	—		
(vii) Total	100 %	100 %		
H. Actuarial Assumptions				
(i) Discount rate	8 %	8 %	8 %	7.13 %
(ii) Salary escalation rate	6 %	6 %	6 %	6 %
(iii) Attrition rate	1 %	1 %	1 %	1 %
(iv) Expected rate of return on plan assets	9 %	9 %	0 %	0 %

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

(ii) Gratuity is administered through Group Gratuity Scheme with SBI Life Insurance Company Limited and by the Gratuity trust through trustees.

(iii) During the year, the Company has recognised the following amounts in the Profit and Loss account in Schedule 2.5:

- Salaries, wages and bonus include compensated absences of Rs.20,30,482 (2008-09 Rs.19,20,370).
- Contribution to provident, gratuity and other funds include contribution to Provident fund and family pension fund contribution of Rs.53,29,346 (2008-09 Rs.48,02,416) and gratuity fund of Rs.36,33,803 (2008-09 Rs.61,10,633).
- Workmen and staff welfare expenses include contribution to Employee State Insurance of Rs.20,59,440 (2008-09 Rs.17,79,858).

28 Figures for the previous year have been regrouped to make them comparable to the classification adopted in the current year.

Signatures to Schedules to the Accounts

For and on behalf of the Board

S. Devarajan
Chairman and
Managing Director

S. Dinakaran
Joint
Managing Director

R.S. Shanmugam
Company Secretary and
Chief Financial Officer

Salem,
May 29, 2010



SAMBANDAM SPINNING MILLS LIMITED

Registered Office: Kamaraj Nagar Colony, SALEM - 636 014.

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the thirty sixth Annual General Meeting of the Company will be held at the Registered Office of the Company on Thursday, the 12th August 2010 at 10.45 a.m to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2010, Profit and Loss account and Cash Flow Statement for the year ended on that date and the report of the directors and the Auditors thereon.
2. To appoint a director in the place of Sri V. Mahadevan who retires by rotation and being eligible, offers himself for re-appointment:
3. To appoint a director in the place of Sri V. Gopalan who retires by rotation and being eligible, offers himself for re-appointment:
4. To appoint auditors and to fix their remuneration and in this connection to pass, with or without modification, the following resolution as an Ordinary Resolution:

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

For and on behalf of the Board of
Sambandam Spinning Mills Limited
R.S.Shanmugam
Company Secretary

Place: Salem

Date : May 29, 2010

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and that the proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from **Friday, 30-07-2010 to Thursday, 12-08-2010** (both days inclusive).
3. Members are requested to contact M/s. Cameo Corporate Services Ltd., Registrars and Share Transfer Agents of the Company, at Subramaniam Building, No.1 Club House Road, Chennai 600 002 for recording any change of address, bank mandate, or nominations and for redress of grievance or contact the Company Secretary at the Registered Office of the Company. Members can also submit their grievances direct to the Company at the following e mail ID:

cs@sambandam.com

and

corporate@sambandam.com



4. Members who have not so far encashed their dividend warrants for the year 2003 may send the unencashed dividend warrants to the Company or approach the Company for payment thereof, as the same will be invalid after transfer of the unpaid amounts in August 2010 to the Investor Education and Protection Fund of the Central Government, pursuant to Section 205 A (5) of the Companies Act, 1956. After transfer of the unpaid dividend to the above fund, shareholders will cease to have any claim over that amount. Members who have not encashed any other year's dividend warrant after 2003 also may return the warrant(s) to the Company for issue of fresh cheque in lieu of the unencashed dividend warrant.
5. As per the provisions of Sections 109A and 109B of the Companies Act, 1956 facility for making nomination is available to shareholders in respect of the shares held by them. This will facilitate smooth transmission of shares after the life time of the shareholders, particularly those holding shares in sole name. Nomination forms can be obtained from M/s Cameo Corporate Services Limited, at Subramaniam Building, No.1, Club House Road, Chennai - 600 002.
6. Securities Exchange Board of India (SEBI) vide its Circular No.MRD/DoP/Cir-05/2009, dated May 20, 2009 issued pursuant to Section 11 of the SEBI Act, 1992, read with Section 55A of the Companies Act, made it mandatory for shareholders to furnish copy of their PAN card to the Company/RTA for registration of transfer of their shares. This is applicable to every transfer of shares transacted in the securities market irrespective of the amount of such transaction. Shareholders are advised to take note of this circular and comply with the same whenever they intend to transfer their shares.
7. As per the SEBI Regulation (Regulation No 13) a person holding the Company's shares/ acquiring the Company's shares (voting rights) exceeding 5% of the paid up share capital (i.e. two lakhs equity shares) of the Company together with their existing holdings) shall inform the Company within 4 working days of acquisition of the Company's shares before sending the share transfer documents to Cameo Corporate Services Ltd., for registering the shares in their name. Similarly persons already holding 5% or more (more than two lakhs) equity shares of the Company shall inform the Company if they sell or transfer any of their shares within 4 working days of sale of their shares.
8. Members who have not so far dematerialized their shares are advised to demat the shares held in physical form.
9. Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a brief resume of the directors who are proposed to be re-appointed on their retirement at this Annual General Meeting is given below:
 - (a) Sri V. Mahadevan, is a Master of Commerce and a rank holder from Madras University. He has been an Independent Professional Director of the Company from 26.3.2004. He is also on the Audit Committee of the Company. He has held position as Chairman / Managing Director of State Bank of India and State Bank of Indore. He has also worked as a financial expert at United Nations. He has more than four decades of experience in the field of banking and finance. He does not hold any shares in the Company.
 - (b) Sri V. Gopalan, is a Commerce Graduate and member of ICSI, ICAI & ICWAI. He has held positions as Vice President of ICICI Limited, Director Finance and Company Secretary of Cognizant Technology solutions India Limited. He is now a Financial Consultant. He has been an Independent Director of the Company from 19.1.2004. He is also a member of the Audit Committee and the Remuneration Committee. He does not hold any shares in the Company.

Registered office:
Mill Premises, Post Box No.1,
Kamaraj Nagar Colony,
Salem - 636 014.

For and on behalf of the Board of
Sambandam Spinning Mills Limited
R.S.Shanmugam
Company Secretary



SAMBANDAM SPINNING MILLS LIMITED

Registered Office: Mill Premises, Kamaraj Nagar Colony, SALEM-636 014.

ATTENDANCE SLIP

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

I hereby record my presence at the thirty sixth Annual General Meeting of the Company held at the Registered Office of the Company on Thursday, the 12th August 2010 at 10.45 a.m.

Member's Name & Address :

Folio / DP ID / Client ID No.

No. of Shares

Proxy's Name

Signature of the Attending Member / Proxy



SAMBANDAM SPINNING MILLS LIMITED

Registered Office: Mill Premises, Kamaraj Nagar Colony, SALEM-636 014.

PROXY FORM

I/We of.....

being a Member(s) / of Sambandam Spinning Mills Limited, hereby appoint Sri /Smt.

of or failing him / her, Sri /Smt. of

as my/our proxy to vote for me/us on my/our behalf at the thirty sixth Annual General Meeting of the Company to be held on Thursday, the 12th August 2010 at 10.45 a.m. at the Registered Office of the Company and at any adjournment thereof.

Signed this day of August 2010.

Address :

Affix
15 Paise
Revenue
Stamp

Folio No. :

Signature.....

DP ID No. :

Client ID No. :

No. of Shares

Member's Name :

N.B. : 1 This proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting. (i.e.) before 10.45 am on 10.08.2010. 2. Proxy need not be a member. 3. Attendance slip should be sent to the proxy appointed by the member and not to the Company. 4. Strike out blank space not used. 5. Members should sign the proxy form duly affixing 15 Paise Revenue Stamp. Unstamped or unsigned proxy is invalid and is liable for rejection. 6. A shareholder may vote either for or against each resolution [clause 34(g) of listing agreement].

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Certification

