



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

Rupees lakhs

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
1 Fixed assets	17800.54	18481.69	19312.39	14921.33	12373.09	7910.98
2 Net current assets	11087.03	6130.33	3965.34	6321.19	5129.27	4960.81
3 Total capital employed	29101.34	24830.91	23562.39	21564.98	17856.12	13226.09
4 Shareholders' funds	7394.52	6387.47	5972.93	3370.96	2925.60	2293.09
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.)	173	150	140	79	69	54
7 Turnover – gross	21211.78	14506.39	11942.31	12683.86	13057.76	11427.97
8 Turnover – net	20690.79	14167.18	11676.67	12438.06	12805.59	11170.71
9 Gross profit – PBDIT	4359.27	2968.23	1796.42	2604.05	3326.21	2575.87
10 Profit before tax – PBT	1920.96	646.29	(537.63)	855.76	1308.83	1230.98
11 Profit after tax – PAT	1255.96	469.29	(382.09)	591.76	1121.83	663.38
12 Retained earnings	2171.86	1266.13	621.22	1284.11	2098.59	1222.33
13 Dividend	* 40	—	—	25	60	65
14 Earnings per share - (Rs.) - Basic	29.45	11.00	(8.96)	13.88	26.31	15.56
15 Installed capacity – Spindles	89,052	85,452	84,252	73,452	73,452	62,176

Note: Net worth per share in 2008-09, 2009-10 and 2010-11 is after reckoning revaluation surplus.

* For the year 2010-11, Interim Dividend 20% & Final Dividend 20%

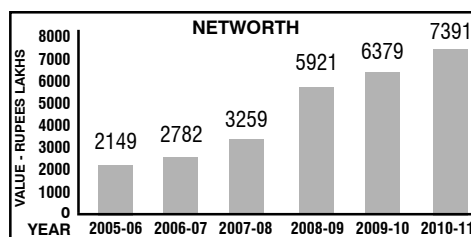
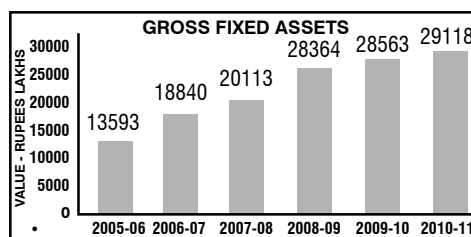
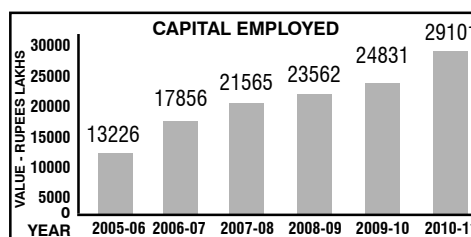


DIRECTORS' REPORT

Your directors have pleasure in submitting their 37th Annual Report together with the Audited Accounts for the year ended March 31, 2011 (the year).

Performance highlights

	2010-11	2009-10
	(Rupees lakhs)	
Turnover - gross		
Direct exports	149	82
Merchandise exports	3690	2530
Domestic Sales	17215	11742
Total Yarn Sales	21054	14354
Conversion charges earned	22	24
Wind Energy Converter Power sold to third party	136	129
	21212	14507
Less sales tax and cess recovery	521	340
Total turnover	20691	14167
Gross profit (ie. profit before interest and depreciation)	4359	2968
Cash profit (ie. profit before depreciation)	3035	1739
Profit before tax	1921	646
Profit after tax	1256	469
Earnings per share – Basic Rs.	29.45	11.00



Dividend

Board of Directors of your company declared an Interim Dividend of Rs.2/- per Equity Share (@ 20% on the paid up Capital) at the Board Meeting held on 29-01-2011 which has been paid to the Share holders in February 2011. Further, your directors are pleased to recommend a Final Dividend of Rs.2/- per Equity Share (@ 20% on the paid up Capital) of Rs.10 each. The interim and the proposed final dividend will entail a cash outflow of Rs.1,98,58,643/-

Management discussion and analysis

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

Textile Industry performed well during the year and demand for textile products in the domestic market and overseas market has been quite encouraging. This robust demand has led to reasonable growth and stability for the textile Industry.



(b) Company's performance

Improvement in Industry Performance is reflected in your Company's turnover recording 47% growth over previous year's turnover of Rs.141.73 crores, crossing the 'Two hundred crore' – mark.

During the year 2010, 3600 Spindles were added to the capacity in third unit, thereby increasing the total installed capacity to 89,052 spindles from 85,452 Spindles. Remaining portion of the project involving 15,600 Spindles and 24 looms would be installed at the appropriate time.

Your Company's Wind Energy Converters (WEC) generated power of the value of Rs.939 lakhs as against Rs.1011 lakhs recorded in the previous year.

(c) Outlook

Even though Cotton Price is highly volatile and speculative at present, your directors are of opinion that it would stabilize in the next few months and the industry expects to improve its performance during the year. Demand for your Company's product is very appreciable both in international market and in domestic market.

(d) Strategies and Future Plans

As part of future plans the deferred expansion project will be taken up for implementation, at the appropriate time. This will help to improve value addition as well as captive consumption of yarn produced by the Company.

(e) Internal control and systems

Your 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 and steps are taken without loss of time, whenever any weakness is observed, to correct the same.

(f) 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 in 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 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.

(g) Corporate Social Responsibility

Your Company's main activity may be centered around making quality yarn but its concern reaches 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 avowed initiative your Company has been imparting comprehensive training to the new entrants to the Company's fold as well as part of 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 specialty 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.



(h) 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 expressed 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.

Homage to Founder Director and Former Chairman

Your Directors note with deep regret the sad demise of Sri S.P. Ratnam, founder director and former Chairman of the Company, on January 21, 2011. Your Directors place on record their deep sense of appreciation for the valuable services rendered by him to the Company during the tenure of his office.

Directors

Sri N. Asoka retires by rotation and is eligible for reappointment.

Sri A. G. Venkatesan also retires by rotation but he desires not to be re-elected. Board records its appreciation for the valuable services rendered by him to the Company during the tenure of his office.

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

Auditors

The auditors, M/s. M.S. Krishnaswami & Rajan, Chartered Accountants, retire at the ensuing annual general meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

Annexure

Annexure to this report details Statement on directors' responsibility, conservation of energy, technology absorption, Research and development and foreign exchange earnings and outgo. None of the employees of the Company has drawn remuneration exceeding Rs.5 lakhs per month or Rs.60 lakhs per annum during the year. As such the information pursuant to Sec.217(2A) of the Companies Act, 1956 is not applicable to the Company.

Acknowledgements

Your directors thank the Company's customers, vendors and investors for their continued support during the year. Your directors place on record their appreciation of the contribution made by employees at all levels. Your Company's consistent growth was 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, and the Government of Tamil Nadu and other government agencies for their support, and look forward to their continued support in future.

Salem
May 23, 2011

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 judgments and estimates. The Directors believe that the financial statements reflect true and fair view of the financial position as on 31.3.2011 and of the results of operations for the year ended 31.3.2011.

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 system 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, 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

Company has taken proper and sufficient care for 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

		2010-11	2009-10
(i) Purchased units*	'000 KWH	2,16,68	1,34,52
Total cost	Rs. lakhs	1271	816
Cost/unit	Rs.	5.87	6.06
*net of units generated through Wind Energy Converters			
(ii) Own generation			
1) Through Diesel Generator			
Generated units	'000 KWH	65.93	58,71
Units per litre of diesel	KWH	2.99	2.97
Cost/unit	Rs.	10.77	10.15
2) Through steam turbine/generator		—	—
3) Through Wind Energy Converters			
Generated units(fed to TNEB Grid)	'000 KWH	2,10,31	2,44,14
Cost/unit - Cost includes maintenance charges, interest and depreciation	Rs.	2.81	2.84

**Annexure to Directors' Report (contd.)**

2 Coal		—	—
3 Furnace oil		—	—
4 Others		—	—
(b) Consumption per unit of production			
Production (yarn)*	Kgs. lakhs	87.75	78.51
Consumption of electricity	'000 KWH	4,92.92	4,37,37
Consumption per kg. of Yarn	KWH	5.62	5.57
*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	3838.93	2612.48
(b) Total Foreign exchange used and earned			
1) CIF value of Imports			
Capital goods*	Rs. lakhs	123.42	—
Spares for Capital goods*	Rs. lakhs	74.21	13.09
Raw materials – cotton*	Rs. lakhs	669.97	737.04
*exclusive of net exchange difference			
2) Other expenditure in foreign currency			
Interest	Rs. lakhs	70.41	38.31
Other matters	Rs. lakhs	1.40	3.85
3) Foreign exchange earned			
Yarn export	Rs. lakhs	139.21	82.75

(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.60,00,000 or more during the year - Nil
- (b) Employed for part of the year and in receipt of remuneration of Rs.5,00,000 or more per month - NIL

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

Salem,
May 23, 2011

For 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, 2011.

Salem,
May 23, 2011

S. Devarajan
Chairman and Managing Director



CORPORATE GOVERNANCE REPORT – Annexure to Directors' 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 independent Directors, two executive Directors and two non executive Directors. Details of the composition and attendance of the Board and the 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.

None of the Directors of the Company is a member of more than 10 Committees and Chairman of more than 5 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.

Non executive Directors are entitled to sitting fees for every meeting of the Board or of the Committee thereof attended by them. 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

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 emphasizes the Company's commitment to compliance with highest standards of legal and ethical behavior. 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 this Annual Report.



Directorship held by existing Directors and shares of the Company held by them as on March 31, 2011 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 31.03.2011
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

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. Chairman and Managing Director, Internal Auditor, Statutory Auditors and Cost Auditors are invitees to Audit Committee meetings. The Company Secretary and Chief Financial Officer is the Secretary of the Audit Committee. 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 to it 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, 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

Share Transfer Committee has been constituted to specifically look into the share transfers. Share transfers are effected by the Registrar and Transfer Agent (RTA) Cameo Corporate Services Limited, Chennai, on the authorization given by the Board. The transfers/transmissions effected by the Registrar are submitted to the Share Transfer Committee for confirmation. Sri 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 Directors and discussed at the Board meetings.



Investor Grievance Committee

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 97 request letters were received on routine matters and all these were dealt with satisfactorily.

Finance committee

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

Remuneration Committee has been constituted to consider the remuneration and other benefits to the executive directors. The Committee consists of 3 non executive independent Directors, namely Sri P.S. Ananthanarayanan, Sri V. Gopalan and Sri N. Asoka. Sri P.S. Ananthanarayanan chairs the meeting of the Committee. The Company Secretary and Chief Financial Officer is the Secretary of the Committee. Minutes of the Committee meeting are circulated to all 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, 2011 are as under:

Name of Director	Board Meetings	Audit Committee Meetings	Share Transfer Committee Meetings	Investor Grievance Committee Meetings	AGM held on August 12, 2010	Directors sitting fees Rs.	Directors remuneration Rs.
Sri S. Devarajan Chairman and Managing Director	4	–	4	–	1	–	36,00,000
Sri S. Jegarajan Joint Managing Director	4	–	4	–	1	–	30,00,000
Sri S. Dinakaran Joint Managing Director	2	–	–	–	1	–	6,00,000
Sri D. Sudharsan	4	–	–	4	1	17,500	–
Sri A.G. Venkatesan	4	–	4	4	1	17,500	–
Sri P. S. Ananthanarayanan	4	5	–	–	1	1,07,500	–
Sri V. Mahadevan	4	5	–	–	1	1,07,500	–
Sri V. Gopalan	4	5	–	–	1	1,07,500	–
Sri N. Asoka	3	4	–	3	1	67,500	–

Note : Four Board meetings were held during the year on May 29, 2010, August 12, 2010, October 30, 2010 and January 29, 2011. Five Audit Committee meetings were held during the year on April 16, 2010, May 27, 2010, August 11, 2010, October 29, 2010 and January 28, 2011. Share Transfer Committee meetings and Investors Grievance Committee meetings were held on May 29, 2010, August 12, 2010, October 30, 2010 and January 29, 2011.



4 General Shareholder Information

- A** The 37th Annual General Meeting of the Company will be held on August 12, 2011 at 10.15 a.m. at the Registered Office of the Company at Kamaraj Nagar colony, Salem 636 014. The previous three Annual General meetings were held on the following dates:

Year	Date	Time	Venue
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.
2010	12/08/2010	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 also on September 23, 2009 to approve the payment of remuneration to the Chairman and Managing Director and two Joint Managing 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 28, 2011 to August 12, 2011 (both days inclusive).

C Financial Calendar for year 2011-12

Board meetings to be held in 2011-12 : August 2011, October/November 2011, January/February 2012 and May 2012.

Annual General Meeting : AGM will be held in August/September, 2012

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 duly complied with. Shares of the Company are listed with the Bombay Stock Exchange Limited (Stock Code :521240) and Madras Stock Exchange Limited. The Company's shares are also traded in National Stock Exchange of India.

For Dematerialisation of shares, the ISIN No. allotted to the Company is INE304D01012. Shares of the Company are available for trading in the depository system of both the National Securities Depository Limited (NSDL) and the Central Depository Services Limited (CDSL). So far 79.40% shares of the Company are in dematerialised form.

E Registrar and transfer agents

Share management work, both physical and demat, is being handled by the Registrar and Share Transfer Agent 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, 2010 to March 31, 2011**

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
April 2010	86.75	72.00	October 2010	148.00	131.00
May 2010	82.00	72.20	November 2010	158.35	121.50
June 2010	82.85	70.00	December 2010	134.70	112.00
July 2010	97.65	80.05	January 2011	150.00	115.20
August 2010	132.50	92.85	February 2011	124.00	91.75
September 2010	143.00	116.00	March 2011	121.50	94.00

G Means of communication

The annual, half-yearly and quarterly results are regularly published in English and vernacular national 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, 2011

Shares held	Shareholders	%	No. of shares	%
1 – 5000	3,699	98.09	7,78,753	18.26
5001 – 10000	19	0.50	1,50,243	3.52
10001 and above	53	1.41	33,35,604	78.22
Total	3,771	100.00	42,64,600	100.00

I Shareholding pattern as on March 31, 2011

Category	No. of shares held	%
Indian Promoters	26,09,234	61.18
Financial Institutions	76,590	1.79
Bodies Corporate	1,52,936	3.59
Non Resident Indians	12,778	0.30
Indian Public	14,12,831	33.13
Clearing member	231	0.01
Total	42,64,600	100.00



J Pledge of shares

No pledge has been created over the equity shares held by the Promoters as on March 31, 2011.

K 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 related party, which is 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, Pazhavor 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, 2011 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 23, 2011



Auditors' Report to the Members

1. We have audited the attached Balance Sheet of **Sambandam Spinning Mills Limited** as at March 31, 2011 and the Profit and loss Account and the Cash flow statement (financial statements) for the year ended on that date (the year), annexed thereto, 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 aforesaid 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. On the basis of written representation received from the directors as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is prima facie disqualified as on March 31, 2011 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 Statement on 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, 2011;
 - 8.2 in the case of the Profit and loss account, of the profit for the year ended on that date; and
 - 8.3 in the case of the Cash flow statement, of the cash flows for the year ended on that date.
9. As required by the Companies (Auditor's Report) Order, 2003 (CARO) 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 showing full particulars including quantitative details and situation of fixed assets. These fixed assets are being physically verified by the management under a phased programme of verification, which in our opinion, is reasonable having regard to the nature and value of its fixed assets, and no material discrepancies have been noticed on such verification. The Company has not disposed off substantial part of its fixed assets during the year.
 - 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, on the basis of our examination of the books and records of the company, 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 is regular in depositing 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, customs duty which have not been deposited on account of any dispute. Details of dues towards excise duty, service tax and sales tax that have not been deposited on account of any dispute, for which stay has been obtained, are (Nature of dues, dues, forum where dispute is pending) – Excise duty, Rs.84,65,342, Customs, Excise and Service tax Appellate Tribunal; Service tax, Rs.8,05,696, 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 as at March 31, 2011 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- 9.11 The Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders during the year.
- 9.12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
- 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 CARO 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, funds raised on short-term basis have, prima facie, not been used for long term investment.
- 9.18 The Company has not made any preferential allotment of shares during the year to any party.
- 9.19 The Company has not issued any debentures during the year.
- 9.20 The Company has not raised money by public issues during the year.
- 9.21 Considering the size and nature of the Company's operations, no fraud of material significance on or by the Company has been noticed or reported during the year.

Salem
May 23, 2011

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



Balance sheet as at March 31, 2011			March 31, 2011 Rupees	March 31, 2010 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	69,66,96,706		59,59,91,610
			73,94,51,706	63,87,46,610
Loan funds				
Secured loans	1.3	180,03,84,555		154,47,83,208
Unsecured loans	1.4	7,91,19,754		7,48,83,495
			187,95,04,309	161,96,66,703
Deferred tax liability-net			29,11,78,107	22,46,78,107
			291,01,34,122	248,30,91,420
2. Application of funds				
Fixed assets	1.5			
Gross block		291,18,30,971		285,63,11,717
Less depreciation		113,29,43,883		101,86,73,408
Net block		177,88,87,088		183,76,38,309
Capital work in progress		11,66,925		1,05,30,557
			178,00,54,013	184,81,68,866
Investments	1.6		2,10,35,272	2,10,02,972
Current assets, loans and advances				
Inventories	1.7	101,93,55,248		49,04,82,437
Sundry debtors	1.8	33,20,71,555		16,52,70,584
Cash and bank balances	1.9	2,48,82,558		3,82,42,963
Other current assets	1.10	2,61,71,903		3,54,91,730
Loans and advances	1.11	13,88,16,300		9,91,57,464
		154,12,97,564		82,86,45,178
Less				
Current liabilities and provisions				
Liabilities	1.12	40,01,93,176		19,31,15,654
Provisions	1.13	3,24,00,950		2,24,96,615
		43,25,94,126		21,56,12,269
Net current assets		110,87,03,438		61,30,32,909
Miscellaneous expenditure	1.14		3,41,399	8,86,673
			291,01,34,122	248,30,91,420
Significant accounting policies and Notes to the accounts	3			
Per our report of even date For M.S. Krishnaswami & Rajan Chartered Accountants Registration No.01554S M.K. Rajan-Partner Salem May 23, 2011		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, 2011		2010-11	2009-10
		Rupees	Rupees
1. Income	Schedule		
Sales and conversion charges earned	2.1	206,90,79,184	141,67,18,235
Other income	2.2	8,65,679	6,29,307
		206,99,44,863	141,73,47,542
2. Expenditure			
Materials	2.3	110,50,96,703	76,24,27,540
Conversion charges paid		56,48,703	65,91,541
Stores and spare parts consumed		5,99,13,230	3,83,97,808
Power and fuel - net		21,47,83,779	13,11,98,126
Repairs to assets	2.4	2,25,84,458	2,23,67,392
Human resources	2.5	16,03,40,767	12,88,39,509
Other expenses	2.6	4,92,83,682	2,88,37,070
Financial expenses - net	2.7	14,87,49,325	12,48,24,501
Depreciation/amortisation	2.8	11,14,48,666	10,92,34,754
		187,78,49,313	135,27,18,241
3. Profit			
Profit before tax		19,20,95,550	6,46,29,301
Provision for taxation			
Current tax - Income tax (vide note 8 of Schedule 3.II to the accounts)		—	—
Deferred tax liability		6,65,00,000	1,77,00,000
Profit after tax		12,55,95,550	4,69,29,301
Balance of profit/(loss) from prior year		23,79,737	(2,95,49,564)
		12,79,75,287	1,73,79,737
4. Appropriations			
Transfer to General reserve		10,00,00,000	1,50,00,000
Interim dividend paid		85,29,200	—
Proposed final dividend		85,29,200	—
Corporate dividend tax on interim and proposed final dividend		28,00,243	—
Balance profit carried to balance sheet		81,16,644	23,79,737
		12,79,75,287	1,73,79,737
5. Earnings per share-Basic (Face value Rs.10)		29.45	11.00
Significant accounting policies and Notes to the accounts	3		
Per our report of even date		For and on behalf of the Board	
For M.S. Krishnaswami & Rajan		S. Devarajan	
Chartered Accountants		Chairman and Managing Director	
Registration No.01554S		S. Dinakaran	
M.K. Rajan-Partner		Joint Managing Director	
Salem		R.S. Shanmugam	
May 23, 2011		Company Secretary	
		and Chief Financial Officer	



Cash flow statement for the year ended March 31, 2011		2010-11	2009-10
		Rupees	Rupees
1	Cash flow from operating activities		
1.1	Profit before tax and exceptional item	19,20,95,550	6,46,29,301
1.2	Adjustment for		
	(1) Depreciation and amortisation	11,14,48,666	10,92,34,754
	(2) Deferred revenue expenses		
	(i) Amortised in revenue	5,45,274	42,97,976
	(ii) Incurred	-	-
	(3) Amortisation of cost of structures on leasehold land	3,25,398	3,25,938
	(4) Unrealised foreign exchange gain(-)	(-) 38,48,293	(-) 85,10,720
	(5) Amounts considered under investing activities		
	(i) Profit(-)/Loss on disposal of assets	(-) 4,53,285	5,23,000
	(ii) Dividend from investments	(-) 1,00,550	(-) 59,450
	(6) Amounts considered under financing activities		
	(i) Interest paid	13,49,74,378	12,62,67,037
	(ii) Interest received	(-) 25,91,678	(-) 33,07,693
1.3	Operating profit before working capital changes	43,23,95,460	29,23,53,603
1.4	Adjustments for changes in		
	(i) Inventories	(-) 52,88,72,811	(-) 30,23,45,854
	(ii) Trade and other receivables (excluding amounts pertaining to fixed assets)	(-)16,55,11,219	5,89,76,196
	(iii) Trade and other payables (excluding amounts pertaining to fixed assets and interest accrued but not due)	21,02,01,669	5,76,78,455
1.5	Cash generated from operating activities	(-) 5,17,86,901	10,66,62,400
1.6	Direct Taxes paid	(-) 3,71,06,400	(-) 1,04,33,358
1.7	Net cash flow from operating activities (1)	(-) 8,88,93,301	9,62,29,042
2.	Cash flow from investing activities		
2.1	Payments for acquisition of assets		
	(1) Additions as per schedule 5	(-) 6,41,92,185	(-) 2,79,38,216
	(2) Adjustment for changes in		
	(i) Capital work in progress	93,63,632	(-) 93,99,154
	(ii) Capital creditors-net	54,77,638	(-) 38,71,854
		(-) 4,93,50,915	(-) 4,12,09,224
2.2	Adjustment for changes in deposits maturing more than one year	(-) 3,89,700	(-)14,99,100



Cash flow statement for the year ended March 31, 2011		2010-11	2009-10
		Rupees	Rupees
2.3	Sale proceeds of fixed assets	4,53,285	8,03,826
2.4	Refund of terminal excise duty relating to acquisition of assets	61,37,531	73,68,389
2.5	Interest received	25,91,678	33,07,693
2.6	Dividend from Investments	1,00,550	59,450
2.7	Investment in equity shares	(-) 32,300	—
2.7	Net cash utilised in investing activities (2)	(-) 4,04,89,871	(-) 3,11,68,966
3.	Cash flow from financing activities		
3.1	Borrowings - Raised - Long term	4,24,94,480	6,67,53,334
	- Repaid - Long term	(-) 14,49,54,449	(-) 5,73,69,206
3.2	Interest paid	(-) 13,49,74,378	(-) 12,62,67,037
3.3	Dividend paid including tax thereon	(-) 99,45,794	—
3.4	Net cash out flow from Financing Activities (3)	(-) 24,73,80,141	(-) 11,68,82,909
4.	Net decrease in cash flows (1) + (2) + (3)	(-) 37,67,63,313	(-) 5,18,22,833
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)	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
5.2	At end		
(i)	Cash and bank balances (excluding bank deposits maturing more than one year)	2,06,43,858	3,43,93,963
(ii)	Cash credit balances	(-) 72,96,10,353	(-) 36,65,97,145
		(-) 70,89,66,495	(-) 33,22,03,182
5.3	Movement in cash and cash equivalents	(-) 37,67,63,313	(-) 5,18,22,833
Per our report of even date		For and on behalf of the Board	
For M.S. Krishnaswami & Rajan		S. Devarajan	S. Dinakaran
Chartered Accountants		Chairman and Managing Director	Joint Managing Director
Registration No.01554S			
M.K. Rajan-Partner		R.S. Shanmugam	
Salem		Company Secretary	
May 23, 2011		and Chief Financial Officer	

Sambandam Spinning Mills Limited



Schedules to the Balance Sheet		March 31, 2011	March 31, 2010			
		Rupees	Rupees			
1.1 Capital						
Authorised						
50,00,000 Equity shares of Rs.10 each		5,00,00,000	5,00,00,000			
Issued						
42,86,400 Equity shares of Rs.10 each		4,28,64,000	4,28,64,000			
Subscribed						
42,64,600 Equity shares of Rs.10 each		4,26,46,000	4,26,46,000			
Add Forfeited shares (amount paid-up)		1,09,000	1,09,000			
		4,27,55,000	4,27,55,000			
1.2 Reserves and surplus						
Capital reserve						
Securities premium		5,39,09,064	5,39,09,064			
Revaluation reserve		29,26,87,615	29,64,52,016			
Cenvat credit relating to capital assets		19,83,383	32,50,793			
		34,85,80,062	35,36,11,873			
General reserve		34,00,00,000	24,00,00,000			
Surplus - Balance in profit and loss account		81,16,644	23,79,737			
		69,66,96,706	59,59,91,610			
1.3 Secured loans from banks						
Term loans		102,13,47,637	110,96,44,098			
Cash credit facilities/Short term loan		62,91,56,145	36,65,97,145			
Goods loan facilities		10,04,54,208	—			
Buyer's credit facilities		4,94,26,565	6,85,41,965			
		180,03,84,555	154,47,83,208			
1.4 Unsecured loans						
Fixed deposits		7,54,99,722	6,60,43,567			
Sales-tax deferral		36,20,032	,88,39,928			
		7,91,19,754	7,48,83,495			
1.5 Fixed assets						
	Cost/valuation March 31, 2010	Additions/ (Deductions)	Cost/valuation March 31, 2011	Depreciation/amor tisation to date	Net Block	
					March 31, 2011	March 31, 2010
Land	23,25,01,000		23,25,01,000		23,25,01,000	23,25,01,000
Buildings	44,18,10,136	6,92,932	44,25,03,068	7,73,69,205	36,51,33,863	39,03,54,210
Structures on leasehold land	32,53,863		32,53,863	16,26,942	16,26,921	22,77,717
Plant and machinery	152,07,88,621	6,09,79,285 (86,72,931)	157,30,94,975	73,59,37,979	83,71,56,996	89,61,86,379
Wind energy converters	60,46,63,900		60,46,63,900	28,36,82,706	32,09,81,194	38,37,77,448
Furniture and office equipments	68,22,112	76,940	68,99,052	40,13,560	28,85,492	37,93,979
Vehicles	1,61,26,431	24,43,028	1,85,69,459	97,81,652	87,87,807	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	69,86,839	97,81,575	164,88,941
Trade name	1,35,45,000		1,35,45,000	135,45,000	—	—
	285,63,11,717	6,41,92,185 (86,72,931)	291,18,30,971	113,29,43,883	177,88,87,088	193,23,85,422
Previous year	283,63,70,730	2,79,38,216 (79,97,229)	285,63,11,717	101,86,73,408	183,76,38,309	193,23,85,422



Schedules to the Balance Sheet (Contd.)			March 31, 2011 Rupees	March 31, 2010 Rupees
1.6 Investments	2011	2010		
	No. of shares			
Equity shares of Companies of Rs. 10 each				
Karnataka Bank Limited - quoted	1330	950	60,272	27,972
Sambandam Investment and Leasing Limited	1,07,500	1,07,500	10,75,000	10,75,000
SPMM Healthcare Services Private Limited	19,90,000	19,90,000	1,99,00,000	1,99,00,000
			<u>2,10,35,272</u>	<u>2,10,02,972</u>
1.7 Inventories				
Stores and spares			59,49,263	58,70,819
Cotton			75,63,97,901	35,65,27,034
Cotton-in-process			6,71,15,657	8,04,26,535
Yarn			18,57,16,392	4,62,21,374
Process waste			41,76,035	14,36,675
			<u>101,93,55,248</u>	<u>49,04,82,437</u>
1.8 Sundry debtors				
(Unsecured, considered good)				
Trade			32,70,42,672	14,34,86,647
Others			50,28,883	2,17,83,937
			<u>33,20,71,555</u>	<u>16,52,70,584</u>
Of the above age analysis of debts				
Debts over six months old			10,27,499	69,27,151
Other debts			33,10,44,056	15,83,43,433
1.9 Cash and bank balances				
Cash on hand			20,84,960	19,98,482
Balance with Scheduled banks				
- Current account			24,38,122	1,68,98,682
- Deposit account			1,86,44,316	1,77,64,655
- Unclaimed dividend account			17,15,160	15,81,144
			<u>2,48,82,558</u>	<u>3,82,42,963</u>
1.10 Other current assets				
(Unsecured, considered good)				
Deposit with government, public bodies and others			1,99,82,218	3,00,68,840
Prepaid expenses			43,08,691	40,95,070
Interest accrued on deposits			18,80,994	13,27,820
			<u>2,61,71,903</u>	<u>3,54,91,730</u>
1.11 Loans and advances				
(Unsecured, considered good)				
Advances			10,44,56,970	6,48,97,221
Other receivables			3,43,59,330	3,42,60,243
			<u>13,88,16,300</u>	<u>9,91,57,464</u>



Schedules to the Balance Sheet (Contd.)	March 31, 2011	March 31, 2010
	Rupees	Rupees
1.12 Liabilities		
Trade creditors and accrued charges		
- Micro and small enterprises	1,09,985	3,07,460
- Others	34,43,11,238	18,28,76,865
Trade deposits and advances	4,60,93,904	21,99,000
Interest accrued but not due on loans	1,47,575	3,08,310
Unclaimed dividend	17,15,160	15,81,144
Other liabilities	78,15,314	58,42,875
	40,01,93,176	19,31,15,654
1.13 Provisions		
Employee benefits (refer note 29 of schedule 3.11 to the accounts)	2,24,88,101	2,24,96,615
Proposed dividend	85,29,200	—
Corporate dividend tax on proposed dividend	13,83,649	—
	3,24,00,950	2,24,96,615
1.14 Miscellaneous expenditure		
Loan raising expenses - not written off or adjusted	3,41,399	8,86,673
Schedules to the Profit and loss account	2010-11	2009-10
	Rupees	Rupees
2.1 Sales and conversion charges earned		
Yarn	199,00,38,996	135,47,13,898
Process waste	11,52,98,697	8,06,24,605
Power generated by Wind energy converters (net of captive consumption)	1,36,37,972	1,28,78,425
	211,89,75,665	144,82,16,928
Sales-tax and textile committee cess paid	5,20,98,841	3,39,21,096
	206,68,76,824	141,42,95,832
Yarn Conversion and testing charges earned (Tax deducted at source Rs.40,780; 2009-10 Rs.50,304)	22,02,360	24,22,403
	206,90,79,184	141,67,18,235
2.2 Other income		
Dividend from long term investments	1,00,550	59,450
Profit on disposal of fixed assets	4,53,285	5,23,000
Miscellaneous income	3,11,844	46,857
	8,65,679	6,29,307
2.3 Materials		
Raw materials consumed		
- cotton	123,37,98,143	77,24,55,225
- others	2,22,060	—
	123,40,20,203	77,24,55,225
Changes in inventories of yarn, cotton in process and process waste	(12,89,23,500)	(1,00,27,685)
	110,50,96,703	76,24,27,540



Schedules to the Profit and loss account (contd.)	2010-11 Rupees	2009-10 Rupees
2.4 Repairs to assets		
Buildings	16,82,372	10,88,473
Plant and machinery	2,05,25,786	2,09,90,276
Other assets	3,76,300	2,88,643
	<u>2,25,84,458</u>	<u>2,23,67,392</u>
2.5 Human resources		
Salaries, wages and bonus	13,98,40,801	11,08,80,246
Contribution to provident, gratuity and other funds	1,10,30,979	89,63,149
Workmen and staff welfare expenses	94,68,987	89,96,114
	<u>16,03,40,767</u>	<u>12,88,39,509</u>
2.6 Other expenses		
Brokerage and commission on sales	1,86,85,968	1,29,98,745
Rent	3,34,150	4,20,400
Rates and taxes	10,80,727	8,09,280
Insurance	12,18,833	13,37,432
Travel and vehicles upkeep	92,11,396	76,00,750
Donation and charity	50,14,600	89,951
Directors' sitting fees	3,95,000	3,87,500
Freight outwards	(6,96,264)	(1,58,606)
Premium on hank yarn obligation charges	61,40,837	8,10,645
Bad debts written off	12,88,018	—
Miscellaneous expenses	66,10,417	45,40,973
	<u>4,92,83,682</u>	<u>2,88,37,070</u>
2.7 Financial expenses-net		
Interest paid on loans and other accounts	13,49,74,378	12,62,67,037
Less Interest earned on deposits and other accounts (Tax deducted at source Rs.2,66,164; 2009-10 Rs.4,89,924)	25,91,678	33,07,693
	<u>13,23,82,700</u>	<u>12,29,59,344</u>
Bank and other financial charges	<u>1,63,66,625</u>	<u>18,65,157</u>
	<u>14,87,49,325</u>	<u>12,48,24,501</u>
2.8 Depreciation/amortisation		
Buildings	1,42,66,702	142,34,532
Plant and machinery	6,40,41,552	6,21,24,990
Wind energy converters	3,13,98,127	3,13,98,127
Furniture and office equipments	4,88,636	5,22,791
Vehicles	16,64,367	13,65,032
Intangible assets - acquired		
Computer software	<u>33,53,683</u>	<u>33,53,683</u>
	<u>11,52,13,067</u>	<u>11,29,99,155</u>
Less transfer from revaluation reserve (refer note 21(ii) of Schedule 3.II to the accounts)	<u>37,64,401</u>	<u>37,64,401</u>
	<u>11,14,48,666</u>	<u>10,92,34,754</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 and sale of power, 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

I. Significant accounting policies (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 or 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) reliable estimate can be made of the amount of the obligation. 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 a 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

II. Notes to the accounts

1. Issued and subscribed capital include 24,85,900 (March 31, 2010 – 24,85,900) Equity shares allotted as fully paid up by way of bonus shares by capitalisation of part of General reserve.
2. Movement in reserves – (i) Additions: Amount appropriated from the profit and loss account to General reserve Rs.10,00,00,000 (March 31, 2010 Rs.1,50,00,000); (ii) Deduction: Amount amortised from Cenvat credit relating to capital assets and adjusted in Depreciation in Schedule 2.8 Rs.12,67,410 (March 31, 2010 Rs.17,11,562).
3. Particulars for secured loans – (i) Term loans from banks to an extent of Rs.81,56,17,148 (March 31, 2010 Rs.88,40,29,004) 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.20,57,30,489 (March 31, 2010 Rs.22,56,15,094) are secured by hypothecation of certain specific assets, (iii) Cash credit/short term loan/buyer's credit facilities are secured by a first charge on the Company's current assets except the stock of cotton pledged for goods loan facility and by a second charge on the Company's immovable and movable properties (other than those covered under the first charge mentioned in (i) supra, (iv) Goods loan facilities are secured by pledge of stock of cotton; and (v) All the above loans are guaranteed by four directors.
4. Unsecured loans include – (i) fixed deposits from directors Rs.7,15,000 (March 31, 2010 Rs.12,15,000), and (ii) amounts repayable within twelve months from the balance sheet date Rs.1,86,36,400 (March 31, 2010 Rs.2,65,20,025).
5. Fixed assets – (i) 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; and (ii) Deductions under plant and machinery includes terminal excise duty refund under Export Promotion Capital Goods Scheme, of Rs.61,37,531 (March 31, 2010 Rs.73,68,389).
6. 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.
7. (i) Investments are long term, non trade and unquoted unless otherwise stated; (ii) Cost of quoted investments Rs.60,272 (March 31, 2010 Rs.27,972); (iii) Market value of quoted investments Rs.1,46,167 (March 31, 2010 Rs.1,13,810); and (iv) Cost of unquoted investments Rs.2,09,75,000 (March 31, 2010 Rs.2,09,75,000).
8. Loans and advances include Income tax paid in advance/deducted at source, net of provisions therefor. The income tax liability for March 31, 2011 as minimum alternate tax under section 115JB of the Income tax Act, 1961 amounting to Rs.3,85,00,000 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.
9. (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.



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

II. Notes to the accounts

10. 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 \$ 15,32,060 (March 31, 2010 US \$ 53,85,348) as at March 31, 2011 and has a net unhedged exposure of US \$ 5,76,159 (March 31, 2010 US\$1,41,199).
11. Estimated capital expenditure commitments (net of advances) Rs.10,71,47,366 (March 31, 2010 Rs.16,66,62,174).
12. Contingent liabilities: (i) Claims against the Company not acknowledged as debts Rs.2,06,08,526 (March 31, 2010 Rs.1,42,30,330); (ii) Guarantees issued by the company's bankers towards disputed power tariff concession availed Rs.96,66,200 (March 31, 2010 Rs.96,66,200), (iii) Bills discounted with bankers Rs.4,37,29,637 (March 31, 2010 Rs.2,83,55,291) and (iv) Other contingent liabilities Rs.1,30,16,472 (March 31, 2010 Rs.92,41,174).
13. Sales and conversion charges earned – Power generated by Wind energy converters represents sale of power (net of captive consumption) generated by wind energy converters.
14. Other income – Miscellaneous income includes net gain on foreign currency transaction and translation (other than considered as financial cost) Rs.2,70,038 (2009-10 Rs. Nil).
15. Raw material consumed – others include consumption of yarn for manufacture of double yarn in 2010-11.
16. Power and fuel are (i) net of value of power generated by Wind energy converters Rs.8,02,95,274 (2009-10 Rs.8,82,48,105); (ii) net of income by way of carbon credit of Rs.50,28,883 (2009-10 Rs.1,07,25,017); and (iii) after reckoning the reversal of carbon credit accrued in prior years of Rs.2,17,83,937 (2009-10 Rs. Nil), as a measure of abundant caution, due to (a) rejection of claim for the credit by concerned sanctioning authorities and (b) inordinate delay in issue of validation report even after completion of inspection and documentation.
17. Repairs to buildings include amortization of cost of structures on leasehold land of Rs.3,25,398 (2009-10 Rs.3,25,398) and repairs to plant and machinery include amortization of cost of planned replacement of worn out parts of plant and machinery Rs.Nil (2009-10 Rs.36,44,514).
18. Human resources – Particulars of managerial remuneration (i) To Managing Director – Salary Rs.21,60,000 (2009-10 Rs.21,60,000), Perquisites Rs.14,40,000 (2009-10 Rs.14,40,000); and (ii) To Joint Managing Directors – Salary Rs.24,00,000 (2009-10 Rs.24,00,000), Perquisites Rs.12,00,000 (2009-10 Rs.12,00,000).
19. Other expenses – Miscellaneous expenses include (i) payments to auditors for Financial audit Rs.3,50,000 (2009-10 Rs.2,80,000), Cost audit Rs.44,000 (2009-10 Rs.44,000), Taxation work Rs.1,55,000 (2009-10 Rs.1,20,000), Other work Rs.1,08,000 (2009-10 Rs.78,000) and Expenses reimbursed to Statutory auditors Rs.1,10,135 (2009-10 Rs.98,479), Cost auditors Rs.9,867 (2009-10 Rs.16,184); (ii) net loss on foreign currency transaction and translation (other than considered as financial cost) Rs.Nil (2009-10 Rs.2,21,661).
20. Financial expenses – (i) Interest paid on fixed loans Rs.9,93,87,257 (2009-10 Rs.9,25,90,369) includes Rs.40,625 (2009-10 Rs.36,509) to the Managing Director; and (ii) Bank and other financial charges include (a) amortisation of loan raising expenses Rs. 5,45,274 (2009-10 Rs.6,53,463) and (b) foreign currency transaction and translation loss (net) Rs.87,56,436 (2009-10 gain (net) Rs.47,54,794).
21. 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 (2009-10 Rs.37,64,401) 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 (Contd.)				March 31, 2011 Rupees	March 31, 2010 Rupees
II Notes to the accounts					
22 Quantitative Information					
(i)	Capacities	- Installed	Spindles	89,052	85,452
(ii)	Production	- Yarn	Kgs.	87,74,793	78,50,730
		- Process waste	Kgs.	29,68,123	25,45,671
(iii)	Consumption	- Cotton	Kgs.	1,19,73,272	1,05,89,785
		- Others	Kgs.	1,452	—
(iv)	Sales	- Yarn	Kgs.	83,58,416	78,45,721
		- Waste	Kgs.	29,55,106	25,09,597
				March 31, 2011 Rupees	March 31, 2010 Rupees
(v)	Stocks at end			March 31, 2011 Rupees	March 31, 2009 Rupees
	Yarn		Kgs.	6,45,561	2,29,184
			Rs.	18,57,16,392	4,62,21,374
	Process waste		Kgs.	58,335	45,318
			Rs.	41,76,035	14,36,675
	Cotton-in-process		Rs.	6,71,15,657	8,04,26,535
(vi)	Generation, captive consumption and sale of power through wind energy converters of 12.575 MW (March 31, 2010 12.575 MW)			March 31, 2011 Rupees	March 31, 2010 Rupees
	Generation		Units	2,46,46,907	2,87,72,067
	Captive consumption		Units	2,10,30,541	2,50,92,517
	Sales to third party		Units	36,16,366	36,79,550
23 Consumption of materials					
	Raw materials (Cotton, others)	- Imported		6,34,32,698	6,35,73,170
				(5.14%)	(8.23 %)
		- Indigenous		117,05,87,505	70,88,82,055
				(94.86%)	(91.77 %)
There was no consumption of components and spare parts pertaining to finished goods					
24 Foreign exchange earnings/outflow					
(i)	Export of goods (Yarn) - FOB basis			1,48,83,637	82,17,588
	Others (Freight recovery)			3,43,298	57,501
(ii)	Imports (CIF)	- Machinery		1,23,41,599	—
		- Machinery spares		74,21,392	13,08,804
		- Cotton		6,69,96,546	7,37,04,347
(iii)	Expenditure in foreign currency	- Interest		70,40,800	38,30,815
		- Others		1,40,112	3,84,744
(iv)	Remittance of dividend to Non-Resident Shareholders			—	—



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

II Notes to the accounts (contd.)	March 31, 2011 Rupees	March 31, 2010 Rupees
25 Earnings per share		
Profit after taxation as per Profit and loss account (A)	12,55,95,550	4,69,29,301
Number of equity shares outstanding (B)	42,64,600	42,64,600
Earnings per share (in Rupees) – Basic (A/B)	29.45	11.00
26 Deferred taxation		
Deferred tax liability		
Pertaining to timing differences on account of Depreciation	29,71,14,435	26,97,27,105
	29,71,14,435	26,97,27,105
Deferred tax asset		
Pertaining to unabsorbed tax depreciation	—	3,86,37,528
Pertaining to provision for employee benefits	59,36,328	64,11,470
Net Deferred tax liability as per Balance Sheet	29,11,78,107	22,46,78,107
27 Segment Information		
The Company is principally engaged in a single business segment viz.. cotton yarn and operates in a single geographical segment as per Accounting Standard 17 on 'Segment Reporting'.		
28 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	- SPMH Healthcare Services Private Limited	
(3) Parties where significant influence exists	- (i) S. Palaniandi Mudaliar Charitable Trust (ii) Sambandam Spinning Mills Gratuity Trust	
(ii) Transactions with related parties		
(1) Key management personnel	March 31, 2011 Rupees	March 31, 2010 Rupees
- Interest payment	40,625	36,509
- Dividend payment	7,48,848	—
- Remuneration	36,00,000	36,00,000
- Fixed deposits received	—	3,25,000
- Outstanding balances under Fixed deposits	3,61,562	3,57,852
(2) Parties where significant influence exists		
S. Palaniandi Mudaliar Charitable trust		
- Payments for employee welfare services	2,52,085	6,44,087
- Contribution paid	50,00,000	—
Sambandam Spinning Mills Gratuity trust		
- Contribution paid / payable	49,83,211	36,33,803



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

II Notes to the accounts (contd.)

29 Employee benefits –

(i) Defined benefit plans – As per Actuarial valuation as on March 31, 2011

Rupees lakhs

	Gratuity (funded)		Compensated absences (unfunded)	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
A Expense recognised in the statement of Profit and Loss Account for the year ended March 31, 2010				
(i) Current service cost	18.26	20.86	1.19	1.19
(ii) Interest cost	20.82	19.72	13.51	11.63
(iii) Expected return on plan assets	(19.53)	(18.69)		—
(iv) Net actuarial (gain)/loss recognised during the year	30.28	14.45	(8.53)	3.54
(v) Total expenses	49.83	36.34	6.17	16.36
B Actual return on plan assets				
(i) Expected return on plan assets	(19.53)	(18.69)		
(ii) Actuarial gain/(loss) on plan assets	(2.11)	(3.51)		
(iii) Actual return on plan assets	(21.64)	(22.20)		
C Net Asset/(Liability) recognised in the Balance Sheet				
(i) Present value of the obligation	301.07	286.74	175.05	188.63
(ii) Fair value of plan assets	255.24	250.40	—	—
(iii) Funded status (surplus/ (deficit))	(45.83)	(36.34)	(175.05)	(188.63)
(iv) Unrecognised past service cost	—	—	—	—
(v) Net Asset/(Liability) recognised in the Balance Sheet	(45.83)	(36.34)	(175.05)	(188.63)
D Change in Present value of the obligation during the year				
(i) Present value of obligation as at beginning of the year	286.74	267.28	188.63	172.27
(ii) Current service cost	18.26	20.86	1.19	1.19
(iii) Interest cost	20.82	19.72	13.51	11.63
(iv) Benefits paid	(52.91)	(32.05)	(19.75)	—
(v) Actuarial (gain)/loss on obligation	28.17	10.93	(8.53)	3.54
(vi) Present value of obligation as at end of the year	301.08	286.74	175.05	188.63
E Change in Assets during the year				
(i) Fair value of plan assets as at beginning of the year	248.02	180.08		
(ii) Expected return on plan assets	21.90	16.30		
(iii) Contributions	40.34	87.20		
(iv) Benefits paid	(52.91)	(32.05)		
(v) Actuarial (gain)/loss on plan assets	(2.11)	(3.51)		
(vi) Fair value of plan assets as at end of the year	255.24	248.02		
F Experience adjustments in				
(i) Plan liabilities – loss/(gain)	28.17	10.93	(8.53)	3.54
(ii) Plan assets – loss/(gain)	2.11	3.51	—	—



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

II Notes to the accounts (contd.)

Rupees Lakhs

	Gratuity (funded)		Compensated absences (unfunded)	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
G. Major categories of plan assets as a percentage of total plan				
(i) Government of India Securities	4 %	4 %		
(ii) State Government Securities	—	—		
(iii) High quality Corporate Bonds	—	—		
(iv) Special Deposit Scheme	—	—		
(v) Others (Bank deposits, mutual funds)	37 %	37 %		
(vi) SBI Life insurance Company	59 %	59 %		
(vii) Total	100 %	100 %		
H. Actuarial Assumptions				
(i) Discount rate	8 %	8 %	8 %	8 %
(ii) Salary escalation rate	5 %	5 %	6 %	6 %
(iii) Attrition rate	5 %	5 %	1 %	1 %
(iv) Expected rate of return on plan assets	8 %	8 %	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.10,98,078 (2009-10 Rs. 20,30,482).
- Contribution to provident, gratuity and other funds include contribution to Provident fund and family pension fund contribution of Rs. 60,47,768 (2009-10 Rs.53,29,346) and gratuity fund of Rs.49,83,211 (2009-10 Rs.36,33,803).
- Workmen and staff welfare expenses include contribution to Employee State Insurance of Rs.24,32,815 (2009-10 Rs.20,59,440).

30 Figures for the previous year have been regrouped / reclassified 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 23, 2011



Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	:	181-000675	State Code - 18
Balance Sheet	:	31-03- 2011	

II. Capital raised during the year (Rs. '000)

Public issue	NIL	Bonus issue	NIL
Rights Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Rs. '000)

Total Liabilities	<u>2,91,01,34</u>	Total Assets	<u>2,91,01,34</u>
Sources of Funds		Application of Funds	
Paid up Capital	4,27,55	Net Fixed Assets	1,78,00,54
Reserves and Surplus	69,66,97	Investments	2,10,35
Secured Loans	1,80,03,84	Net Current Assets	1,10,87,04
Unsecured Loans	7,91,20	Accumulated losses	NIL
Deferred tax liability	29, 11,78	Miscellaneous expenditure	3,41

IV. Performance of Company (Rs. '000)

Turnover - net	2,06,90,79	Total expenditure - net	1,87,69,83
Profit before Tax	19,20,96	Profit after Tax	12,55,96
Earnings per share	Rs. 29.45	Dividend rate - Interim	20%
		- Final	20%

V. General Names of Three Principal Products

Item Code No. 5205 (Only one Product)
(ITC Code)

Product Description - COTTON YARN OTHER THAN SEWING THREAD CONTAINING 85%
OR MORE BY WEIGHT OF COTTON NOT PUT UP FOR RETAIL SALE

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 23, 2011



SAMBANDAM SPINNING MILLS LIMITED

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

NOTICE TO THE SHAREHOLDERS

Notice is hereby given pursuant to Sec.166 and other applicable provisions of the Companies Act, 1956 that the Thirty Seventh Annual General Meeting of the Company will be held at the Registered Office of the Company on Friday the 12th August 2011 at 10.15 a.m to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011 and Profit and Loss account together with the Schedules and Notes Annexed thereto and the Cash Flow Statement for the year ended on that date and the report of the directors and the Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a director in the place of Sri N. Asoka 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 as Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration and terms as may be determined by the Board of Directors of the Company."

Special Business

- 5 To consider, and if thought fit to pass with or without modification the following Resolution as an Ordinary Resolution
RESOLVED THAT pursuant to the provisions of Section 257 of the Companies Act 1956, Sri A.R.NATARAJAN be and is hereby appointed as director of the Company.

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

Place : Salem
Date : May 23, 2011

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 at its Registered Office not less than 48 hours before the commencement of the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from **THURSDAY 28.07.2011 to FRIDAY 12.08.2011** (both days inclusive).
3. Members are requested to contact M/s. Cameo Corporate Services Ltd., Registrar 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 redressal of grievances 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
corporate@sambandam.com
4. Members can now inform the Company their e-mail ID to facilitate instantaneous and quick communication from the Company. Ministry of Corporate Affairs has now recognised e-mail communication to share holders as effective and efficient means of communication from the Company and also to the Company by the shareholders. Members may register their e-mail id with the Company and also keep the Company informed of any changes in their e-mail ID from time to time. Notice of the Meetings, Annual Reports and similar communication meant for the shareholders could be sent by e-mail to each and every individual shareholder, which will ensure speedy reach of the reports and notices meant for the shareholders. Hence all the members of the company are requested to register their e-mail id with the Company at the above e-mail id [cs@sambandam.com; corporate@sambandam.com] at the earliest.



5. Members who have not so far encashed their dividend warrants for the year 2004 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 July 2011 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 warrants after 2004 also may return the warrant(s) to the Company / contact the Company for issue of fresh cheque in lieu of the unencashed dividend warrant.
6. 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.
7. 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, has 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 / acquire further shares.
8. As per 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 (two lakhs equity shares) of the Company together with their existing holdings) shall inform the Company within four 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 four working days of sale of their shares.
9. Members who have not so far dematerialized their shares are advised to demat the shares held in physical form.
10. Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a brief resume of the director who is proposed to be re-appointed on his retirement at this Annual General Meeting is given below:
Sri N. Asoka, an engineering graduate, is an industrialist. He is the Managing Director of Spark Engineers Private Limited, an ISO-9001-2000 Certified Company and Managing Partner of Spark Enterprises. He is an independent director of this Company and also Kandagiri Spinning Mills Ltd. He has more than two decades of experience in the field of management. He is the recipient of 'Best Industrialist Award' in 1991-92 from the Department of Industries and Commerce, Government of Tamil Nadu. He shows keen interest in providing social welfare services to the needy. In recognition of his services as Rotarian since 1988, he has been elected 'District Governor' of Rotary International for 2011-12. He is the Governing council member of Salem Productivity Council.
11. Explanatory Statement pursuant to section 173(2) of the Companies Act,1956 in respect of agenda item No.5 :
Sri A.G.Venkatesan director of the Company will retire by rotation at the 37th Annual General Meeting of the Company. Even though he is eligible for re-election, he has expressed his unwillingness to stand for election at this Annual General Meeting. Notice has been received from a member of the Company pursuant to Section 257(1) of the Companies Act 1956 together with the requisite deposit proposing the name of Sri A.R.Natarajan for being appointed as a director of the Company.
Sri A.R.Natarajan has wide experience spanning over two decades in Textile trade. He is holding 1,92,390 equity shares (4.51 %) of the Company. Sri A.R. Natarajan, the proposed appointee and Sri S.Jagarajan, Joint Managing Director of the Company who is a relative of Sri A.R.Natarajan are interested in the Resolution. None of the other directors is personally interested in the Resolution.
Documents relating to this agenda item are open for inspection during business hours on all working days till the date of the Annual General Meeting.

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 seventh Annual General Meeting of the Company held at the Registered Office of the Company on Friday, the 12th August 2011 at 10.15 a.m.

Member's Name & Address :

Folio / DP ID / Client ID No.

No. of Shares

Proxy's Name

Signature of the Attending Member / Proxy

0/0



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 seventh Annual General Meeting of the Company to be held on Friday, the 12th August 2011 at 10.15 a.m. at the Registered Office of the Company and at any adjournment thereof.

Signed this day of August 2011.

Address :

Affix
15 Paise
Revenue
Stamp

Folio No. :

DP ID No. :

Client ID No. :

No. of Shares

Signature.....

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 10.15 am on 10.08.2011. 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

