



Board of Directors	<p>S. Devarajan – Chairman and Managing Director S. Jegarajan – Joint Managing Director S. Dinakaran – Joint Managing Director D. Sudharsan A.R. Natarajan P.S. Ananthanarayanan – Independent Director Dr. V. Gopalan – Independent Director N. Asoka – Independent Director S. Gnanasekharan – Independent Director</p>
Company Secretary	R.S. Shanmugam
Chief Financial Officer	D. Niranjankumar
Chief Technical Officer	J. Sakthivel
Statutory Auditors	M.S. Krishnaswami & Rajan
Cost Auditors	S. Mahadevan & Co
Bankers Under Consortium	<p>State Bank of India – Consortium Leader Canara Bank – Consortium Member Karnataka Bank Ltd – Consortium Member Axis Bank Limited – Consortium Member</p>
Bankers Under MBA (Multiple Banking Arrangement)	<p>Indian Overseas Bank Central Bank of India IDBI Bank Limited</p>
Registered Office	<p>Mill Premises, Post Bag No.1 Kamaraj Nagar Colony, Salem 636 014, Tamil Nadu</p>
Spinning Plants	<p>Unit I : Kamaraj Nagar Colony, Salem 636 014, Tamil Nadu.</p> <p>Unit II : Ayeepalayam, Athanur 636 301, Namakkal District, Tamil Nadu.</p> <p>Unit III : Kavarakalpatty, Seshanchavadi Post Salem 636 111, Tamil Nadu.</p>
Wind Energy Converters	<p>Uthumalai Village, V.K. Pudur Taluk Tirunelveli District, Tamil Nadu.</p> <p>Panangudi, Pazhavor and Parameshwarapuram Villages Radhapuram Taluk, Tirunelveli District, Tamil Nadu.</p> <p>Gudimangalam Village, Udumalpet Taluk, Coimbatore District, Tamil Nadu.</p>

SAMBANDAM SPINNING MILLS LIMITED

DIRECTORS' REPORT

Your directors have pleasure in presenting the 40th Annual Report together with the Audited Accounts for the year ended March 31, 2014 (the year).

Performance highlights

	2013-14	2012-13
	(Rs. lakhs)	
Revenue from Operations		
Direct exports	600	627
Merchandise exports	5955	3097
Domestic Sales	18848	17765
	<hr/>	<hr/>
Total Yarn and Process Waste Sales	25403	21489
Wind Energy Converter Power sold to third party	136	202
Other Revenue	57	58
	<hr/>	<hr/>
Total Revenue from Operations	25596	21749
Profit		
Gross profit [Profit before interest, depreciation & Tax]	3878	3893
Cash profit/ [Profit before depreciation & Tax]	2521	2481
Profit before exceptional item and Tax	1407	1356
Exceptional item – Provision for diminution in investment	45	--
	<hr/>	<hr/>
Profit before tax [PBT]	1362	1356
Profit after tax [PAT]	937	911

Dividend

Your directors have recommended 20% dividend for the year ended 31.3.2014, subject to the approval of the Consortium of Bankers of the Company.

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

- (i) Industry's performance during the year continued to record improvement as in the previous year. The areas of concern which were prevalent during the previous year continued to be on similar veins during the year under review. The Government as well as the monetary authorities continued to take measures to tame the inflation as well as the Forex fluctuation but with a limited success. Your directors expect that the new Government will facilitate improvement in the economic growth as per the expectations of all Industries.
- (ii) During the year under review increase in the price of Cotton was higher than the increase in the price of yarn. But the power situation in the state improved resulting in reduced power cut period. However high Cost of Power and interruptions in Production rendered textile products from Tamil Nadu less competitive.

**(b) Company's performance**

- (i) In order to cope-up with the market conditions, several cost reduction measures were adopted by the Company such as tying up with private power producers to get power at about the same price as EB (TANGEDCO) Power, optimum utilization of the diesel gensets and power purchase from Indian Power Exchange supported by your Company's Wind Turbine generated power. This helped to achieve improved level of plant utilization to maintain the production and quality of the product.
- (ii) Your company's Wind Electric Generators (WEGs) recorded generation of electric power of the value of Rs.1142 lakhs during the year (Rs.1455 lakhs – 2012-13). Loss of Rs.313 lakhs in wind power generation during the year under review was on account of TANGEDCO imposing back outting (not allowing full generation of the WEGs) of power mostly during the high wind season which resulted in loss of possible generation of about 55 lakh units.
- (iii) Bank interest rates continued to increase further during the year. Management's conscious decision to exercise strict control on inventory levels helped to reduce the working capital requirement resulting in considerable saving up to 4% in the finance cost during the year.

(c) Outlook for 2014-15

Once the cotton price and the yarn price gets stabilized, the industry can improve its margin during the year. Demand for your Company's products continues to be appreciable in domestic market as well as export market. Your directors hope to see further improvement in the export market, based on the flow of orders from countries like China, Peru, Japan, Indonesia and European countries. If the incentives for exports offered by Government of India provide relief packages, it will further boost exports. In view of this situation, the Company's performance is expected to improve further.

In order to gain maximum benefit from the Wind Turbine generated power and the group captive power purchased from private power producers even during the power cut period, dedicated feeder line connection from the E.B substation to two out of three units of your Company has been secured. Feeder line connection to unit 1 has just been approved by the EB / TANGEDCO. The feeder line work will commence in the next few months and will be completed by this year end. This will ensure uninterrupted power supply to the spinning mills of your company which will reduce the dependence on diesel generated power and also maximize production through out the day. Further, life of the electrical components could be enhanced due to avoidance of down time during frequent power cuts and thereby quality of the product could be maintained/ improved further.

As part of future plans, the deferred expansion/diversification project at Unit III will be taken up for implementation at the appropriate time. Your directors are planning to implement a modernisation scheme during the year 2014-15 at an estimated cost of Rs.36.75 Crores which will result in improvement in production and quality of the product.

(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. Steps are taken without loss of time, whenever any weakness is observed, to correct the same.

Your Company is certified ISO 9001, 14001 and 18001 for the systems. Further, your Company's laboratory is also certified by NABL.

(f) Human resources management

Employees are your Company's most valuable resource. Your Company continues to create a favourable environment at work place. Your Company has formulated and implemented various welfare measures for the employees. The Company also recognizes the importance of training and consequently deposes its work force in various work related courses/seminars including important issues like Total Quality Management (TQM) behavioral skills, soft skills etc. Because of these labour welfare and improvement measures, your company is able to attract and retain well trained and dedicated workforce.

The fact that the relationship with the employees continue 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 (CSR)

S.Palaniandi Mudaliar Memorial Hospital (SPMM Hospital) run by S. Palaniandi Mudaliar Charitable Trust was promoted by Sambandam family in 1975 with the objective of helping poor people to meet their education and health care needs. With a view to implement this objective, the trust started a 100 bedded Multi Specialty Hospital in Salem in 1997 and the trust has been running the hospital very efficiently with highly qualified Doctors and Para-medical staff. From the beginning, the hospital has been treating every year more than 5000 poor patients with different ailments including surgical care at highly concessional charges. The hospital, jointly with Rotary International, is performing heart surgeries for children with congenital heart defects and has carried out more than 50 surgeries during the past three years free of cost. Further, the hospital has treated patients including a three month-old child and a pregnant woman on whom open heart surgery could not be done for the congenital heart defects like ASD (Atrial Septal Defect) and PDA (Patent Ductus Arteriosus) - in both the conditions there existed mixing of pure and impure blood in the heart which would lead to retarded growth and finally death. But, the SPMM Hospital has treated such patients by way of Interventional therapy; a method called 'Device closure' and saved their lives free of charges. For these treatments, the hospital got financial support from an organisation called 'Gift of Life' in USA, which granted the support after verifying the facilities available in the hospital. This kind of treatment is done only in higher centers at metros like Chennai. This hospital is also providing free artificial limb fitment to nearly 100 beneficiaries every year and Calipers for polio affected children right from its inception. Therefore your directors thought it fit and proper to donate Rs.60 lakhs this year in discharge of the Company's Corporate Social Responsibility.

(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.

INDUSTRY ASSOCIATIONS

Sri S.Dinakaran, Joint Managing Director of the Company is a member of the Committee of Administration and Chairman of the Yarn Committee of the Cotton Textiles Export Promotion Council (TEXPROCIL), Mumbai and the Confederation of Indian Textile Industry(CITI), Delhi. By virtue of the



offices he holds, Sri Dinakaran has been representing to the Industries and Finance Ministries to get relief to the ailing Textile Industry.

COST AUDIT REPORT

As per the directions of the Cost Audit Branch of the Ministry of Corporate Affairs, M/s. S.MAHADEVAN & CO., Cost Accountants, Coimbatore, were appointed Cost Auditors for audit of Cost Accounts of the Company and their report for the year ended 31st March 2013 was submitted on 20.9.2013 to the Ministry of Corporate Affairs (VIDE SRN S22388466 dated 20.9.2013). Due date for submission of that Cost Audit Report in XBRL format was 27.9.2013.

M/s. S. Mahadevan & Co. were again reappointed for Audit of Cost Accounts of the Company for the year ended 31.3.2014. Their reports for the year ended 31.3.2014 will be filed before the due date.

Directors

Sri D.Sudharsan, Director, retires by rotation and he is eligible for reappointment. Sri A.R.Natarajan, Director, also retires by rotation but he desires not to get reelected. Board recorded its appreciation for the valuable services rendered by Sri Natarajan to the Company during the tenure of his office. Sri V. Mahadevan, Independent Director did not attend the meetings of the Board and the Audit Committee held during the year on account of his continued illness. He submitted his resignation which was accepted at the Board Meeting held on 14.2.2014. Board appointed Sri S. Gnanasekharan a Practising Company Secretary from Thiruchengode, as an independent director in the place of Sri V. Mahadevan. Company's Code of Conduct applicable to the board has been adopted by the board and all the directors of the Company have confirmed compliance with the Code of Conduct.

Auditors

Auditors, M/s.M.S.Krishnaswami & Rajan, Chartered Accountants, retire at the ensuing annual general meeting and they have confirmed their eligibility and willingness to accept office, if re-appointed. On the recommendation of the Audit Committee your Company's Board is placing the Resolution u/s 139(2) of the Company's Act 2013 for appointing them as Statutory Auditors of the Company for the current financial year.

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 required 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 for the contribution made by employees at all levels. Your Company's consistent growth has been made possible by the hard work, solidarity, cooperation and support of the management team.

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

Salem
May 30, 2014

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 31.3.2014 and of the result of operations for the year ended 31.3.2014.

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 internal audit function 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 the 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

		2013-14	2012-13
(i) Purchased units*	'000 KWH	2,34,32	1,29,72
Total cost	Rs. lakhs	2418	1266
Cost/unit	Rs.	10.32	9.76

*net of units generated thro' wind energy converters

(ii) Own generation			
1) Through diesel generator			
Generated units	'000 KWH	35.43	1,15.87
Units per litre of diesel	KWH	3.28	2.59
Cost/unit	Rs.	16.28	13.96
2) Through steam turbine/generator		—	—
3) Through Wind energy converters			
Generated units(fed to TNEB Grid)	'000 KWH	1,77.92	2,18.41
Cost/unit*	Rs	3.09	2.90
*Cost includes maintenance charges, interest and depreciation			
2. Coal		—	—
3. Furnace oil		—	—
4. Others		—	—
(b) Consumption per unit of production			
Production (yarn)	Kgs. lakhs	97.58	71.37
Consumption of electricity	'000 KWH	4,47.67	4,64.00
Consumption per kg. of Yarn	KWH	4.59	6.50
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	6555.01	3724.13
(b) Total Foreign exchange used and earned			
1) CIF value of Imports			
Capital goods*	Rs. lakhs	—	—
Spares for Capital goods*	Rs. lakhs	49.64	27.02
Raw materials – cotton*	Rs. lakhs	1715.25	1324.88
*exclusive of net exchange difference			
2) Other expenditure in foreign currency			
Travel	Rs. lakhs	6.81	—
Interest	Rs. lakhs	10.28	14.26
Other matters	Rs. lakhs	1.94	1.84
3) Foreign exchange earned			
Yarn export	Rs. lakhs	599.63	627.18
Freight recovery	Rs. lakhs	2.78	—

(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 30, 2014

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 Agreement 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, 2014.

Salem
May 30, 2014

S. Devarajan
Chairman and Managing Director

CEO/CFO CERTIFICATION

To
The Board of Directors,
Sambandam Spinning Mills Limited
Salem

We, S. Devarajan, Chairman and Managing Director and D. Niranjankumar, Chief Financial Officer of Sambandam Spinning Mills Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the financial statements for the year 2013-14 and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - b) these statements present a true and fair view of the state of affairs of the Company and of the results of operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing Generally Accepted Accounting Principles including Accounting Standards.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year that are fraudulent, illegal or violative of the Company's Code of Conduct.
3. We accept overall responsibility for establishing and monitoring the Company's internal control system for financial reporting and evaluating its effectiveness. The Internal Audit function monitors the internal control system for financial reporting, which encompasses the examination and evaluation of the adequacy and effectiveness. Internal Audit works with all levels of management and Statutory Auditors, and reports significant issues to the Audit Committee and apprised the Audit Committee of any corrective action taken or proposed to be taken with regard to significant deficiencies and material weaknesses.
4. We have indicated to the Auditors and to the Audit Committee:
 - a) Significant changes in internal control over financial reporting during the year;
 - b) Significant changes in accounting policies during the year;
 - c) No instances of any fraud of which we have become aware of and which involve management or other employees who have significant role in the Company's Internal control system over financial reporting.

Salem
30.05.2014

D. Niranjankumar
Chief Financial Officer

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

2. Board of directors

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 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 member of more than ten Committees and Chairman of more than five Committees [as specified in Clause 49(1)(C) of the Listing Agreement with the Stock Exchanges] across all Companies in India of which he is a Director. All the Directors have confirmed that they have not incurred any disqualification u/s164(2) of the Companies Act 2013, and that all the directors stand free from any disqualification from being a director of the company.

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

The Code of Conduct laid down by the Company is applicable to the Board of Directors and all the employees of the Company. This Code of Conduct emphasizes the Company's commitment to compliance with the 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 the Annual Report.

Directorship held by existing Directors and shares of the Company held by them as on March 31, 2014 are given below:

Name of Director	Number of other Company Directorship	Number of other Company's Committees of which member*	Number of shares of the Company held as on 31.03.2014
Sri S. Devarajan Chairman and Managing Director	6	2	3,88,674
Sri S. Jegarajan Joint Managing Director	2	-	4,40,846
Sri S. Dinakaran Joint Managing Director	4	-	3,59,879
Sri D. Sudharsan	2	-	77,060
Sri A.R. Natarajan	1	-	1,92,390
Sri P.S.Ananthanarayanan	1	1	-
Sri V. Mahadevan (resigned on 14.2.14) **	1	1	-
Dr. V. Gopalan	2	1	-
Sri N. Asoka	2	2	-
Sri S. Gnanasekharan (Joined on 14.2.14) **	1	1	-

*Only membership of Audit Committee, Share Transfer Committee and Investor Grievance Committee, now renamed as Stakeholders Relationship Committee are to be considered as per Clause 49(1)(C) of the Listing Agreement with Stock Exchanges

**Sri V. Mahadevan, an Independent Director, resigned on 14.2.2014 and in his place Sri S. Gnanasekharan has been appointed on 14-2-2014.

Audit Committee

The Audit Committee presently consists of four non-executive independent Directors. Sri P.S. Ananthanarayanan, an independent Director, is the Chairman of the Audit Committee. Dr.V.Gopalan Sri N.Asoka and Sri S.Gnanasekharan independent directors are members of the audit committee. The Chairman and Managing Director, Internal Auditor, Statutory Auditors and Cost Auditors are invitees to Audit Committee meetings. The terms of reference of the Audit Committee cover all the areas mentioned under Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors. The broad terms of reference of the Audit Committee are to review the 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. The committee also discusses the same with the internal auditors, meets the statutory auditors and discusses their findings, scope of audit, qualifications by auditors, if any, in the Annual Report, reviewing related party transactions, compliance with the listing agreements and other legal requirements and the Company's financial and risk management policies and compliance with statutory requirements. Sri G.Chennakesavan, Chartered Accountant, is the internal auditor of the company. He conducts internal audit and reports directly to the Audit Committee of the Board.

Share Transfer Committee

The Share Transfer Committee has been constituted to specifically look into the share transfers. Share transfers are effected by the Registrar and Transfer Agent (RTA) Cameo Corporate Services Limited, Chennai, on the authorisation 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 D.Sudharasan, non-executive Director, are members of this Committee. The Company secretary 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.

Stakeholders Relationship Committee

The Investor Grievance Committee has been renamed as 'Stakeholders Relationship Committee' on 14.02.2014 as a proactive measure to comply with the provisions of the Companies Act, 2013 and SEBI Regulations to specifically look into the redressal of stakeholders' complaints. This Committee looks into stakeholders relations/grievances on a periodical basis. As on March 31, 2014, Sri N.Asoka, non-executive independent Director chairs the meetings of the Committee. Sri S.Jegarajan, executive Director and Sri D.Sudharasan non-executive Director, are members of this Committee. The Company Secretary 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, one complaint and 32 request letters were received from investors on routine matters and all these were dealt with satisfactorily.

Finance Committee

The Finance Committee has been constituted to consider borrowings from banks and financial institutions. Sri S.Devarajan, Chairman and Managing Director, Chairs the meetings of the Committee. Sri S.Jegarajan and Sri S.Dinakaran, executive Directors, are members of this Committee. The Company Secretary is the Secretary of the committee. This committee meets periodically and discusses financial matters relating to borrowings and deployment of funds. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings.

Nomination and Remuneration Committee

The Remuneration committee has been renamed as 'Nomination and Remuneration Committee' on 14.02.2014 as a proactive measure to comply with the provisions of the Companies Act, 2013 and SEBI Regulations to consider nomination and remuneration and other benefits to the executive directors, Key Managerial Personnel and employees one level below the Key Managerial Personnel. The Committee consists of 3 non-executive independent Directors, namely Sri P.S.Ananthanarayanan, Dr.V.Gopalan and Sri N. Asoka. Sri P.S. Ananthanarayanan chairs the meetings of the Committee. The Company Secretary is the Secretary of the Committee. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings.

Corporate Social Responsibility Committee

As per the provisions of the Companies Act, 2013, Corporate Social Responsibility Committee has been constituted on 14.02.2014 consisting of five members namely, Sri S.Devarajan, Sri S.Jegarajan, Sri S.Dinakaran, Sri P.S.Ananthanarayanan and Sri D.Sudharasan. Sri S.Devarajan is the Chairman of the Committee.

3. Attendance of Directors

Remuneration and attendance of Directors at the meetings of the Board and/or Committee thereof during the year ended March 31, 2014 are as under:

Name of Director	Board Meeting	Audit Committee Meeting	Share Transfer Committee Meeting	Investors Grievance Committee Meeting	Nomination and Remuneration Committee Meeting	Attendance at last AGM held on 14-8-2013	Director's Sitting fees Rs.	Director's Remuneration Rs.
Sri S. Devarajan Chairman and Managing Director	4	-	3	-	-	Yes	-	36,00,000
Sri S. Jegarajan Joint Managing Director	5	-	4	-	-	Yes	-	30,00,000
Sri S. Dinakaran Joint Managing Director	5	-	-	-	-	Yes	-	6,00,000
Sri D. Sudharsan	4	-	-	3	-	Yes	40,000	
Sri A.R.Natarajan	4	-	4	4	-	Yes	40,000	
Sri P.S.Ananthanarayanan	4	6	-	-	-	Yes	1,60,000	
Sri V. Mahadevan #	-	-	-	-	-	No	-	
Dr. V. Gopalan	5	6	-	-	-	Yes	1,70,000	
Sri N. Asoka	5	6	-	4	-	Yes	1,70,000	
Sri S. Gnanasekharan #	1	-	-	-	-	NA	10,000	

Note: Five Board meetings were held during the year on May 27, 2013, August 14, 2013, October 27, 2013, November 13, 2013 and on February 14, 2014. Six Audit Committee meetings were held during the year on April 18, 2013, May 25, 2013, August 13, 2013, October 27, 2013, November 12, 2013, and on February 13, 2014. Share Transfer Committee meetings and Investors Grievance Committee meetings were held on May 27, 2013, August 14, 2013, November 13, 2013 and on February 14, 2014.

Sri V.Mahadevan, an Independent Director, resigned on 14.2.2014 and in his place Sri S.Gnanasekharan has been appointed on 14-2-2014.

4. General Shareholder Information

A. The 40th Annual General Meeting of the company will be held on Sunday, 28th September, 2014 at 10.30 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
2011	12/08/2011	10.15 a.m.	Mill Premises, Kamaraj Nagar Colony, Salem 636 014.
2012	13/08/2012	10.15 a.m.	Mill Premises, Kamaraj Nagar Colony, Salem 636 014.
2013	14/08/2013	10.45 a.m.	Mill Premises, Kamaraj Nagar Colony, Salem 636 014.

Three Special resolutions were passed at the Annual General Meeting held on August 13, 2012 to approve the reappointment and payment of remuneration to the Chairman and Managing Director and to the two Joint Managing Directors of the Company.

One Special Resolution was passed at the Annual General Meeting held on August 14, 2013 for commencement of New Business relating to generation of power through Wind Turbines, Solar Power Stations or by any other method and sale of such generated power to TNEB or to any other person as stated in Clause III C (5) of the Memorandum of Association 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. The Company proposes to pass three special resolutions through postal ballot process during this year.

B. Book Closure Period

The Book Closure period is from Thursday, September 18, 2014 to Sunday, September 28, 2014 (both days inclusive).

C. Financial Calendar for year 2014-15

Board meetings to be held in 2014-15 : August 2014, October/November 2014,
January/ February 2015 and May 2015

Annual General Meeting : AGM will be held in August/September, 2015

D. Listing on Stock Exchanges

Annual Listing Fee has been paid and all requirements, including submission of quarterly reports and certificates, to the stock exchanges, where the shares of the Company are listed, have been duly complied with. The shares of the Company are listed with the Bombay Stock Exchange Limited (Stock Code : 521240) and Madras Stock Exchange Limited (Stock Code: Sambandam). 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. The shares are available for trading in the depository system of both the National Securities Depository Limited (NSDL) and the Central Depository Services Limited (CSDL). So far 91.29% shares are in dematerialised form.

E. Registrar and transfer agents

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

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

F. Market Price (BSE) during the Period April 1, 2013 to March 31, 2014

<i>Month</i>	<i>High (Rs.)</i>	<i>Low (Rs.)</i>	<i>Month</i>	<i>High (Rs.)</i>	<i>Low (Rs.)</i>
April 2013	79.00	51.25	October 2013	78.50	72.00
May 2013	65.00	55.40	November 2013	82.00	72.00
June 2013	74.00	71.50	December 2013	75.10	72.05
July 2013	73.00	62.30	January 2014	77.00	68.70
August 2013	69.00	60.00	February 2014	74.70	66.00
September 2013	76.00	69.00	March 2014	69.00	61.85

G. Means of Communication

The annual, half-yearly and quarterly financial results are regularly published in English and vernacular national newspapers. The Financial results are also posted on the Company's website at www.sambandam.com and 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 Registrars and Share Transfer Agents of the Company. Such communication may also be sent 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
CIN : L17111TZ1973PLC000675
e-mail : cs@sambandam.com

H. Distribution of shareholding as on March 31, 2014

<i>Shares holding range</i>	<i>No. of Shareholders</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
1 – 5000	3498	97.87	668610	15.68
5001 – 10000	20	0.56	153889	3.61
10001 and above	56	1.57	3442101	80.71
Total	3574	100.00	42,64,600	100.00

I. Shareholding pattern as on March 31, 2014

<i>Category</i>	<i>No. of shares held</i>	<i>%</i>
Indian Promoters	23,44,313	54.97
Financial Institutions	76,590	1.80
Bodies Corporate	1,26,566	2.97
Non Resident Indians	8,090	0.19
Clearing member	480	0.01
Indian Public	17,08,561	40.06
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 31.3.2014.

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 are reported in the Notes to the Accounts. There is no transaction of 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, 2014 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

R.Krishnen-Partner
Membership No.201133

Salem
May 30, 2014



Independent Auditors' Report

To the Members of Sambandam Spinning Mills Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Sambandam Spinning Mills Limited** ("the Company") which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash flow statement, of the cash flows for the year ended on that date.



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) 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;
 - (b) 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;
 - (c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the Balance sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in section 211(3C) of the Companies Act 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
 - (e) on the basis of written representation received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of section 274(1)(g) of the Companies Act, 1956.

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

R. Krishnen-Partner
Membership No.201133

Salem
May 30, 2014

Annexure to the Independent Auditors' Report

The Annexure referred to in our report to members of Sambandam Spinning Mills Limited ("the Company) for the year ended March 31, 2014

1. (i) the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (ii) the fixed assets are being physically verified under a phased programme of verification, which, in our opinion, is reasonable having regard to the nature and value of its fixed assets. However, no material discrepancies have been noticed during the year on such verification.
- (iii) the company has not disposed off substantial part of its fixed assets during the year.
2. (i) inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (ii) 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.
- (iii) the company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stocks and the book records.

3. the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. Thus paragraphs 4(iii) (b) to (d), (f), (g) are not applicable to the Company.
4. in our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventories and fixed assets and for the sale of goods and services. We have not observed any major weakness in the internal control system during the course of our audit.
5. (i) in our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(ii) in our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (5) (i) above and exceeding Rs. 5 lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. the company has complied with the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from public.
7. in our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. we have broadly reviewed the book of accounts maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government of India under section 209(1)(d) of the Companies Act, 1956 in respect of the products manufactured by the Company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records.
9. (i) according to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of 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 and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.
(ii) according to the information and explanations given to us, no undisputed amounts payable in respect provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues were in arrears as at March 31, 2014 for a period of more than six months from the date they became payable.



- (iii) according to the information and explanations given to us, there are no material dues of Income tax, wealth tax and customs duty which have not been deposited with the appropriate authorities on account of any dispute. However, according to the information and explanations given to us, the following dues of excise duty, service tax and sales tax, have not been deposited by the Company on account of disputes, for which stay has been obtained. (Nature of dues, dues, period to which the amount relates, forum where dispute is pending) – Excise duty, Rs.84,65,342, Financial year 2001-02 to 2002-03, Customs, Excise and Service tax Appellate Tribunal; Service tax, Rs.8,05,696, Financial year 2004-05 to 2007-08, Customs, Excise and Service tax Appellate Tribunal; Sales tax, Rs.6,52,044, Financial year 1991-92, Deputy Commissioner of Commercial Taxes.
10. the company does not have any accumulated losses at the end of the financial year and has not incurred any cash losses in the financial year and in the immediately preceding financial year.
 11. the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders during the year.
 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.
 13. in our opinion and according to the information and explanations given to us, the company is not a chit fund or a Nidhi/mutual benefit fund/society.
 14. according to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments.
 15. according to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
 16. according to the information and explanations given to us, the term loans availed by the company were, prima facie, applied for the purpose for which they were obtained.
 17. in our opinion and according to the information and explanations given to us, 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.
 18. the company has not made any preferential allotment of shares during the year.
 19. the company has not issued any debentures during the year.
 20. the company has not raised any money by public issues during the year.
 21. according to the information and explanations given to us, no material fraud on or by the company has been noticed or reported during the course of our audit.

Salem
May 30, 2014

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

**Balance Sheet as at March 31, 2014**

Particulars	Note No.	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1.1	4,27,55,000	4,27,55,000
Reserves and surplus	1.2	<u>71,41,04,281</u>	<u>63,45,48,151</u>
			<u>67,73,03,151</u>
Non-current liabilities			
Long-term borrowings	1.3	43,40,40,631	64,53,63,498
Deferred tax liabilities (Net)	1.4	30,61,78,107	26,36,78,107
Other long-term liabilities	1.5	21,99,000	21,99,000
Long-term provisions	1.6	<u>1,91,43,537</u>	<u>1,85,78,137</u>
			<u>92,98,18,742</u>
Current liabilities			
Short-term borrowings	1.7	42,77,31,731	32,35,40,501
Trade payables	1.8	34,52,45,208	20,15,05,033
Other current liabilities	1.9	26,45,80,662	23,13,12,408
Short-term provisions	1.10	<u>108,29,238</u>	<u>6,94,420</u>
			<u>75,70,52,362</u>
		104,83,86,839	75,70,52,362
		256,68,07,395	236,41,74,255
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	1.11	147,72,79,616	156,68,61,756
Intangible assets	1.12	—	30,74,204
Capital work-in-progress	1.11	—	9,08,000
		<u>147,72,79,616</u>	<u>157,08,43,960</u>
Non-current investments	1.13	1,67,10,272	2,10,35,272
Long-term loans and advances	1.14	17,72,28,531	13,88,29,649
Other non-current assets	1.15	<u>101,786</u>	<u>8,178</u>
			<u>173,07,17,059</u>
		167,13,20,205	173,07,17,059
Current assets			
Inventories	1.16	53,42,77,200	33,33,39,491
Trade receivables	1.17	27,97,92,776	20,45,74,582
Cash and bank balances	1.18	3,09,19,709	6,33,75,713
Short-term loans and advances	1.19	2,42,56,767	1,44,61,433
Other current assets	1.20	<u>2,62,40,738</u>	<u>1,77,05,977</u>
			<u>89,54,87,190</u>
		89,54,87,190	89,54,87,190
		256,68,07,395	236,41,74,255

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

Per our report of even date
For M.S. Krishnaswami & Rajan
Chartered Accountants
Firm Registration no. 01554S

R. Krishnen-Partner
Membership no. 201133
Salem,
May 30, 2014

For and on behalf of the board

S. Dinakaran
Joint Managing Director

D. Niranjankumar
Chief Financial Officer

S. Devarajan
Chairman and Managing Director

R.S. Shanmugam
Company Secretary


Statement of Profit and Loss for the year ended March 31, 2014

Particulars	Note No.	For the year ended March 31, 2014		For the year ended March 31, 2013
		Rupees	Rupees	Rupees
Income				
Revenue from operations	2.1	255,95,70,546		217,49,04,519
Other income	2.2	52,15,354		26,86,840
Total Revenue			256,47,85,900	217,75,91,359
Expenses				
Cost of materials consumed	2.3	152,18,78,148		115,28,38,941
Changes in inventories of finished goods and stock-in-trade	2.4	-6,30,79,991		-1,67,16,650
		145,87,98,157		113,61,22,291
Employee benefits expense	2.5	22,89,67,877		19,68,73,244
Finance cost	2.6	13,57,34,211		14,12,45,770
Depreciation and amortization expense	2.7	11,13,67,826		11,25,29,614
Other expenses	2.8	48,91,77,375		45,52,59,448
Total Expenses			242,40,45,446	204,20,30,367
Profit before exceptional items and tax			14,07,40,454	13,55,60,992
Exceptional item	2.9		45,29,000	—
Profit before tax			13,62,11,454	13,55,60,992
Tax expense:				
Current tax				
Deferred tax		4,25,00,000		4,45,00,000
			4,25,00,000	4,45,00,000
Profit for the year after tax			9,37,11,454	9,10,60,992
Earnings per Equity share (Face value Rs.10)				
Basic and Diluted (in Rs.)			21.97	21.35

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

Per our report of even date
For M.S. Krishnaswami & Rajan
Chartered Accountants
Firm Registration no. 01554S
R. Krishnen-Partner
Membership no. 201133
Salem,
May 30, 2014

For and on behalf of the board

S. Dinakaran
Joint Managing Director

D. Niranjankumar
Chief Financial Officer

S. Devarajan
Chairman and Managing Director

R.S. Shanmugam
Company Secretary

Cash Flow Statement for the year ended March 31, 2014

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
1. Cash flows from operating activities		
1.1 Profit/(loss) before tax and exceptional item	13,62,11,454	13,55,60,992
1.2 Adjustment for		
Depreciation and amortisation	11,13,67,826	11,25,29,614
Loan raising expenditure - amortised	-93,608	85,169
Amortisation of cost of structures on leasehold land	3,25,398	3,25,398
Amount considered under investing activities		
(Profit)/Loss on disposal of assets	-3,48,712	(35,010)
Income from investments	59,070	(58,405)
Amount considered under financing activities		
Interest paid	11,83,08,875	13,92,98,748
Interest received	-46,97,062	(25,74,702)
Provision for diminution in value of long term investments	45,29,000	—
1.3 Operating profit before working capital changes	<u>36,56,62,241</u>	<u>38,51,31,804</u>
1.4 Adjustment for changes in		
Increase / (Decrease) in trade payables	14,37,40,175	6,82,57,176
Increase / (Decrease) in long term provisions	5,65,400	4,67,280
Increase / (Decrease) in short term provisions	1,56,080	2,19,170
Increase / (Decrease) in other current liabilities	59,66,618	(1,88,23,958)
Decrease / (Increase) in trade receivables	-7,52,18,194	3,93,17,985
Decrease / (Increase) in inventories	-20,09,37,709	(11,63,70,042)
Decrease / (Increase) in long term advances	-1,30,69,283	46,93,662
Decrease / (Increase) in short term advances	-97,95,334	89,745
Decrease / (Increase) in other current assets	-55,83,892	-52,59,504
1.5 Cash generated from operating activities	<u>21,14,86,102</u>	<u>35,77,23,318</u>
1.6 Income tax paid/(refund)	<u>-2,70,77,151</u>	<u>(2,83,270)</u>
Net cash flow from operating activities before exceptional items	<u>18,44,08,951</u>	<u>35,74,40,048</u>
Exceptional items	—	—
Net cash flow from operating activities [A]	<u>18,44,08,951</u>	<u>35,74,40,048</u>


Cash Flow Statement for the year ended March 31, 2014 (Contd.)

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
2. Cash flows from investing activities		
2.1 Purchase of tangible assets, intangible assets, CWIP and capital advances	-205,93,010	(1,95,91,050)
2.2 Proceeds from sale of tangible assets	3,83,809	1,35,428
2.3 Refund of terminal excise duty	—	—
2.4 Investment in equity shares	-2,04,000	—
2.5 Interest received	46,97,062	25,74,702
2.6 Dividend received	-59,070	58,405
2.7 Changes in Advances (Net)	—	—
Net cash flow used in investing activities [B]	-1,57,75,209	(1,68,22,515)
3. Cash flow from financing activities		
3.1 Proceeds from long term borrowings	57,92,000	16,70,00,000
3.2 Repayments of long term borrowings	-18,98,05,414	(18,02,13,354)
3.3 Proceeds from short term borrowings	23,73,79,402	4,54,96,736
3.4 Repayments of short term borrowings	-28,63,76,138	(10,00,00,000)
3.5 Changes in cash credit facilities	15,22,03,825	(24,77,95,089)
3.6 Interest paid - Net	-11,83,08,875	(13,92,98,748)
3.7 Dividend paid on equity shares	—	—
3.8 Dividend Tax paid on equity dividend paid	—	—
Net cash flow from financing activities [C]	-19,91,15,200	(45,48,10,455)
Net cash inflow / (outflow) [A+B+C]	-3,04,81,458	(11,41,92,922)
Opening cash and cash equivalents	4,01,71,201	15,43,64,122
Closing cash and cash equivalents	96,89,743	4,01,71,201
Net increase / (decrease) in cash and cash equivalents	-3,04,81,458	(11,41,92,922)
Notes to the cash flow statement		
Components of cash and cash equivalents:		
Cash and bank balances excluding those relating to unclaimed dividend and earmarked deposits held as margin money	96,89,743	4,01,71,201
	96,89,743	4,01,71,201

Per our report of even date
For M.S. Krishnaswami & Rajan
Chartered Accountants
Firm Registration no. 01554S
R. Krishnen-Partner
Membership no. 201133
Salem,
May 30, 2014

For and on behalf of the board

S. Dinakaran
Joint Managing Director

D. Niranankumar
Chief Financial Officer

S. Devarajan
Chairman and Managing Director

R.S. Shanmugam
Company Secretary

Statement on Significant Accounting Policies forming part of the Financial Statements for the year ended March 31, 2014

1. Basis of preparation of financial statements - These financial statements are prepared in accordance with the generally accepted accounting standards referred to in Section 211(3C) of the Companies Act, 1956, read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 under historical cost convention except in so far as they relate to revaluation of net assets.

All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in the revised schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the company has determined its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

2. Use of estimates – The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements, disclosure of contingent liabilities and reported amounts of revenues and expenses for the year. Estimates are based on historical experience, where applicable and other assumptions that management believes are reasonable under the circumstances. Actual results could vary from these estimates and any such differences are dealt with in the period in which the results are known/materialise.
3. Revenue recognition – Revenue from sale of products is recognized on despatch of goods to customers in accordance with the terms of sales. Revenue from services is recognized in accordance with the specific terms of contract on performance. Other operating revenues comprise of income from ancillary activities incidental to the operations of the company and is recognized when the right to receive the income is established as per the terms of the contract.
4. 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.

**Statement on Significant Accounting Policies forming part of the Financial Statements for the year ended March 31, 2014 (Contd.)**

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.
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 – Non-current investments are stated at cost. However, provision for diminution is made to recognize a decline, other than temporary, in the value of the investment, if any. Current investments are valued at lower of cost and fair value.
10. Inventories – The governing principle of valuation of Inventories (other than process waste) is the lower of cost and net realisable value. The cost for the said purpose (i) in the case of stores and spare parts, is the weighted average cost (net of Cenvat credit/value added tax, if any), (ii) in the case of cotton in process and manufactured yarn, is the cost adopting the absorption costing method, and (iii) is without deduction of the adjustment made for power generated through Wind energy converters and adjusted against the cost of power purchased from state electricity board. Process waste is valued at net realizable value. Provision is made for obsolete, slow moving and damaged items of inventory, if any.
11. Government grants – Capital grants from government relating to depreciable assets are treated as deferred income and disclosed as a capital reserve and amortised over the useful life of the concerned asset. Cenvat credit relating to capital assets acquired is treated as capital reserve and amortised over the useful life of the concerned assets by transfer 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. Amortisation of loan raising expenditure – Major revenue expenditure incurred by way of/in connection with raising of borrowing is amortised over the period of the borrowings.
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. Deferred tax - Deferred income tax charge reflects the impact of the current period timing differences between taxable income and accounting income, other than differences capable of getting reversed during the 'tax holiday' period, subject to consideration of prudence. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets/liabilities are reviewed as at each balance sheet date based on developments during the period and available case laws to reassess realisation/liabilities.
15. Provisions and contingencies - To recognise a provision when (i) the company has a present obligation as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. A disclosure of a contingent liability is made when there is a possible obligation that may, but probably will not, require outflow of resources. Where there is possible obligation or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

Notes annexed to and forming part of the Financial Statements

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
1.1 Share Capital		
Authorised		
50,00,000 (2013 : 50,00,000) Equity shares of Rs.10 each	<u>5,00,00,000</u>	<u>5,00,00,000</u>
Issued		
42,86,400 (2013 : 42,86,400) Equity shares of Rs.10 each	<u>4,28,64,000</u>	<u>4,28,64,000</u>
Subscribed		
42,64,600 (2013 : 42,64,600) Equity shares of Rs.10 each fully paid	<u>4,26,46,000</u>	<u>4,26,46,000</u>
Add: Forfeited shares (amount originally paid up in respect of 21,800 equity shares)	<u>1,09,000</u>	<u>1,09,000</u>
	<u>4,27,55,000</u>	<u>4,27,55,000</u>

Notes :

1. Reconciliation of Number of Shares

Shares outstanding as at April 1, 2013/April 1, 2012	42,64,600	42,64,600
Shares outstanding as at March 31, 2014/March 31, 2013	<u>42,64,600</u>	<u>42,64,600</u>

2. Shareholders holding more than 5% of the total share capital:

Name of the shareholder	2014		2013	
	No. of shares	%	No. of shares	%
Sri S. Jegarajan	4,40,846	10.34	4,40,846	10.34
Sri S. Devarajan	3,88,674	9.11	3,88,674	9.11
Sri S. Dinakaran	3,59,879	8.44	3,59,879	8.44
Sri A.G. Venkatesan	2,51,785	5.90	2,75,790	6.17

3. Rights and restrictions in respect of equity shares
- The Company has one class of equity shares having a par value of Rs.10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

1.2 Reserves and Surplus

a) Securities Premium as at the beginning and end of the year	5,39,09,064	5,39,09,064
b) Revaluation Reserve		
As at the beginning of the year	28,51,58,813	28,89,23,214
Transfer to Statement of Profit and Loss (refer note no.3.16 to the Financial Statements)	<u>37,64,401</u>	<u>37,64,401</u>
As at the end of the year	28,13,94,412	28,51,58,813
c) Cenvat credit relating to capital assets		
As at the beginning of the year	6,81,907	11,87,659
Transfer to Statement of Profit and Loss	<u>4,12,185</u>	<u>5,05,752</u>
As at the end of the year	2,69,722	6,81,907

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

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
d) General Reserve		
As at the beginning of the year	34,00,00,000	34,00,00,000
Transfer from Statement of Profit and Loss	<u>3,00,00,000</u>	—
As at the end of the year	37,00,00,000	34,00,00,000
e) Surplus/(Deficit)- balance in Statement of Profit and Loss		
As at the beginning of the year	(4,52,01,633)	(13,62,62,625)
Current year profit	9,37,11,454	9,10,60,992
Proposed equity dividend	85,29,200	
Tax on proposed equity dividend	14,49,538	
Transfer to General Reserve	<u>3,00,00,000</u>	—
As at the end of the year	<u>85,31,083</u>	<u>(4,52,01,633)</u>
	71,41,04,281	63,45,48,151
1.3 Long term borrowings		
Secured - Term loans from banks	40,72,25,631	60,54,88,498
Unsecured - Fixed deposits	2,68,15,000	3,98,75,000
	<u>43,40,40,631</u>	<u>64,53,63,498</u>
Notes :		
i) Refer note no.3.17 to the Financial Statements for the terms the loans		
ii) Fixed deposits includes deposits from directors Rs.13,15,000 (2013 : Rs.42,75,000)		
1.4 Deferred tax liabilities (net)		
Deferred tax liabilities		
- Timing differences on account of depreciation	31,25,37,111	27,40,86,149
Deferred tax assets		
- Unabsorbed tax depreciation and loss	—	42,36,849
- Provision for employees benefit	63,59,004	61,71,193
	<u>30,61,78,107</u>	<u>26,36,78,107</u>
1.5 Other long term liabilities		
Security deposits	21,99,000	21,99,000
	<u>21,99,000</u>	<u>21,99,000</u>
1.6 Long term provisions		
Provision for employee benefits		
Compensated absences	1,91,43,537	1,85,78,137
	<u>1,91,43,537</u>	<u>1,85,78,137</u>

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

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
1.7 Short term borrowings		
Secured from banks		
Cash credit facilities	39,42,47,590	24,20,43,765
Buyer's credit facilities	—	4,54,96,736
Short term loan	<u>3,34,84,141</u>	<u>3,60,00,000</u>
	<u>42,77,31,731</u>	<u>32,35,40,501</u>
Notes :		
Refer note no.3.17 to the Financial Statements for the terms of the loans		
1.8 Trade payables		
Micro, Small and Medium enterprises	47,838	1,56,269
Other trade payables	<u>34,51,97,370</u>	<u>20,13,48,764</u>
	<u>34,52,45,208</u>	<u>20,15,05,033</u>
1.9 Other current liabilities		
Current maturities of Long term debts	23,56,88,292	20,83,86,656
Interest accrued but not due on borrowings	3,68,654	4,63,609
Interest accrued and due on borrowings	1,09,68,214	1,33,18,415
Unclaimed dividends	9,49,164	13,07,816
Other payables	<u>1,66,06,338</u>	<u>78,35,912</u>
	<u>26,45,80,662</u>	<u>23,13,12,408</u>
Notes :		
i) Refer note no.3.17 to the Financial Statements for terms of current maturities of long term debts		
ii) Other payables include :		
- contribution payable to Gratuity Fund	40,68,155	8,69,316
- capital creditors	—	13,16,000
- advance from customers	77,12,811	20,87,314
- income tax (TDS) payable	27,56,695	12,15,291
- sales tax payable	7,04,513	10,93,486
1.10 Short term provisions		
Provision for employee benefits		
Compensated absences	8,50,500	6,94,420
Other provision		
Proposed dividend	85,29,200	
Tax on proposed dividend	<u>14,49,538</u>	
	<u>1,08,29,238</u>	<u>6,94,420</u>

Notes annexed to and forming part of the Financial Statements (Contd.)
1.11 Tangible assets and Capital work in progress

Rupees

Description	Gross block (Cost/valuation)			Depreciation/amortisation/impairment			NET BLOCK		
	As on 01.04.2013	Additions	Deductions	As on 31.03.2014	Upto 31.03.2013	Charge during the year	Deductions/Adjustments	Upto 31.03.2013	As on 31.03.2013
Land - freehold	23,25,01,000	—	—	23,25,01,000	—	—	—	—	23,25,01,000
Buildings	45,34,81,667	21,81,782	—	45,56,63,449	10,61,21,284	1,43,57,973	—	12,04,79,257	33,51,84,192
Structures on lease hold land	32,53,863	—	—	32,53,863	22,77,731	3,25,397	—	26,03,128	6,50,735
Plant and machinery	157,89,23,330	164,38,502	—	159,53,61,832	86,61,98,641	638,38,065	—	93,00,36,706	66,53,25,126
Wind energy converters	60,46,63,900	—	—	60,46,63,900	34,64,78,970	313,98,127	—	37,78,77,097	22,67,86,803
Furniture and fittings	22,20,290	67,337	—	22,87,627	9,23,681	4,09,114	—	13,32,795	9,54,832
Vehicles	2,42,71,115	41,34,811	19,52,377	2,64,53,549	114,64,966	21,64,537	19,17,280	1,17,12,223	1,47,41,326
Office Equipment	65,94,047	4,26,130	—	70,20,177	56,14,423	3,02,392	—	59,16,815	11,03,362
Live stock	32,240	—	—	32,240	—	—	—	—	32,240
SUB TOTAL	290,59,41,452	232,48,562	19,52,377	292,72,37,637	133,90,79,696	11,27,95,605	1917,280	144,99,58,021	147,72,79,616
Less :									
Transfer from Revaluation Reserve pertaining to Building	—	—	—	—	—	37,64,401	—	—	—
Amount considered in Note no.3.14 to the Financial statements	—	—	—	—	—	3,25,397	—	—	—
Amount considered in Note no.3.16 to the Financial statements	—	—	—	—	—	4,12,185	—	—	—
TOTAL	290,59,41,452	2,32,48,562	19,52,377	292,72,37,637	133,90,79,696	10,82,93,622	1917,280	144,99,58,021	147,72,79,616
Previous year	289,45,60,360	1,15,75,289	1,94,197	290,59,41,452	122,54,02,004	10,91,75,926	93,779	133,90,79,696	166,91,58,356

Notes annexed to and forming part of the Financial Statements (Contd.)
1.11 Tangible assets and Capital work in progress (Contd.)

Description	Gross block (Cost/valuation)			Depreciation/amortisation/impairment				NET BLOCK		
	As on 01.04.2013	Additions	Deductions	As on 31.03.2014	Upto 31.03.2013	Charge during the year	Deductions/ Adjustments	Upto 31.03.2013	As on 31.03.2014	As on 31.03.2013
Capital work in progress	—	—	—	—	—	—	—	—	—	9,08,000
Previous year				9,08,000					9,08,000	14,60,072

Notes :

- 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.
 ii) Borrowing cost capitalised - Rs. Nil (2013 Rs. Nil)

1.12 Non-Current assets - Intangible assets and Capital work in progress

Rupees

Description	Gross block (Cost/valuation)			Depreciation/amortisation/impairment				NET BLOCK		
	As on 01.04.2013	Additions	Disposals	As on 31.03.2014	Upto 31.03.2013	Charge during the year	Deductions/ Adjustments	Upto 31.03.2013	As on 31.03.2014	As on 31.03.2013
Computer software - acquired	1,67,68,414	—	—	1,67,68,414	1,36,94,210	30,74,204	—	1,67,68,414	—	30,74,204
Others - trade name	1,35,45,000	—	—	1,35,45,000	1,35,45,000	—	—	1,35,45,000	—	—
TOTAL	3,03,13,414	—	—	3,03,13,414	2,72,39,210	30,74,204	—	3,03,13,414	—	30,74,204
Previous year	3,03,13,414	—	—	3,03,13,414	2,38,85,522	33,53,688	—	2,72,39,210	30,74,204	64,27,892
Capital work in progress										
Previous year										

Notes : i) Borrowing cost capitalised - Rs. Nil (2013 Rs. Nil)

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

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
1.13 Non-Current Investments		
Non-Trade Investments		
Investments in Equity instruments		
i) Associates		
19,90,000 (2013 : 19,90,000) Equity shares of Rs.10 each in SPMM Health Care Services Private Limited	1,99,00,000	1,99,00,000
ii) Others		
1,330 (2013 : 1,330) Equity shares of Rs.10 each in Karnataka Bank Limited #	60,272	60,272
1,07,500 (2013 : 1,07,500) Equity shares of Rs.10 each in Sambandam Investment and Leasing Limited	10,75,000	10,75,000
1,500 (2013 : Nil) Equity shares of Rs.10 each in Suryadev Alloys and Power Private Limited	2,04,000	--
	<u>2,12,39,272</u>	<u>2,10,35,272</u>
Less Provision for diminution in value towards SPMM Health Care Services Private Limited	45,29,000	--
	<u>1,67,10,272</u>	<u>2,10,35,272</u>
Notes :		
i) All investments are fully paid-up		
ii) Quoted investments (#) - Cost	60,272	60,272
- Market value	1,55,943	1,97,106
iii) Unquoted investments - Cost	2,11,79,000	2,09,75,000
1.14 Long term Loans and advances		
Unsecured, considered good		
Capital advances	1,71,70,097	1,89,17,649
Security deposits	3,10,23,775	2,27,29,886
Other loans and advances		
- employee advances	8,83,978	4,14,150
- Sales tax, ESI and others paid under protest	2,34,97,252	1,91,91,686
- Advance income tax (net of provisions)	48,92,810	43,16,214
- MAT credit entitlement	9,97,60,619	7,32,60,064
	<u>17,72,28,531</u>	<u>13,88,29,649</u>
1.15 Other Non-current assets		
Unamortised loan raising expenses	1,01,786	8,178
	<u>1,01,786</u>	<u>8,178</u>
1.16 Inventories		
Raw materials - Cotton	33,05,36,115	19,51,01,023
Work-in-progress - Cotton in process	7,91,12,051	7,63,86,435
Finished goods - Yarn	11,41,53,306	5,40,79,304
- Process waste	16,84,380	14,04,007
Stores and spares	87,91,348	63,68,722
	<u>53,42,77,200</u>	<u>33,33,39,491</u>

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

	As at March 31, 2014 Rupees	As at March 31, 2013 Rupees
1.17 Trade receivables		
Unsecured, considered good		
Trade receivables		
Outstanding for morethan six months from the date they are due for payment	1,64,937	10,33,288
Others	27,96,27,839	20,35,41,294
	<u>27,97,92,776</u>	<u>20,45,74,582</u>
1.18 Cash and cash equivalents		
(i) Cash and cash equivalents		
Balances with banks in - Current account	55,52,146	1,71,11,990
- Deposit account	—	2,00,00,000
Cash on hand	41,37,597	30,59,211
	<u>96,89,743</u>	<u>4,01,71,201</u>
(ii) Other bank balances		
Earmarked balances with Banks - Unclaimed dividend accounts	9,49,164	13,07,816
- Liquid assets deposits *	48,16,852	48,16,852
Deposits with Banks held as margin money	1,54,63,950	1,70,79,844
* under Companies (Acceptance of Deposits) Rules, 1975		
Of the above,		
Bank deposits with morethan 12 months maturities Rs.1,56,80,802 2013 Rs.3,02,84,300)	<u>3,09,19,709</u>	<u>6,33,75,713</u>
1.19 Short-term loans and advances		
Unsecured, considered good		
Material advances	12,07,648	28,03,165
Employee advances	9,16,259	15,98,699
Other receivables	2,21,32,860	1,00,59,569
	<u>2,42,56,767</u>	<u>1,44,61,433</u>
Of the above,		
Other receivables include :		
- VAT credit	14,78,737	8,98,272
- Prepaid expenses	75,95,588	64,48,591
- Sales tax advance payment	1,04,07,671	—
1.20 Other current assets		
Interest accrued on deposits	10,74,382	18,37,448
Interest subsidy receivable	2,37,45,998	1,35,21,805
Export incentive receivable	11,29,986	8,99,944
Unamortised loan raising expenses	2,90,372	14,46,780
	<u>2,62,40,738</u>	<u>1,77,05,977</u>

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

	For the year ended March 31, 2014 Rupees	For the year ended March 31, 2013 Rupees
2.1 Revenue from operations		
Sale of products		
Yarn	242,39,30,515	204,49,69,129
Process waste	<u>11,63,91,101</u>	<u>10,38,84,854</u>
	<u>254,03,21,616</u>	<u>214,88,53,983</u>
Revenue from services		
Yarn testing charges	12,63,414	13,74,923
Yarn conversion charges	2,54,861	36,396
Other operating revenues		
Power generated by wind energy converters (net of captive consumption)	1,35,65,349	2,02,10,479
Scrap sales	18,17,156	16,46,603
Export incentives	<u>23,48,150</u>	<u>27,82,135</u>
	<u>255,95,70,546</u>	<u>217,49,04,519</u>
Less Trade rebate and discounts	—	—
	<u>255,95,70,546</u>	<u>217,49,04,519</u>
2.2 Other income		
Interest income from		
Security deposits and bank deposits	45,43,763	25,57,128
Others	1,53,299	17,574
Dividend income from Non-current investments	59,070	58,405
Other non-operating income		
Profit on sale of assets	3,48,712	35,010
Net gain on foreign currency transactions and translations	<u>1,10,510</u>	<u>18,723</u>
	<u>52,15,354</u>	<u>26,86,840</u>
2.3 Cost of materials consumed		
Cotton	150,73,84,660	114,96,90,476
Others	<u>1,44,93,488</u>	<u>31,48,465</u>
	<u>152,18,78,148</u>	<u>115,28,38,941</u>
Of the above		
Imported items - Amount	17,15,25,400	13,24,88,374
- Percentage	11.27	11.49
Indigenous items - Amount	135,03,52,748	102,03,50,567
- Percentage	88.73	88.51
2.4 Changes in Inventories of finished goods and work-in-progress		
Work-in-progress	-27,25,616	95,19,310
Finished goods	<u>-6,03,54,375</u>	<u>-2,62,35,960</u>
Net change in inventories	<u>-6,30,79,991</u>	<u>-1,67,16,650</u>
2.5 Employee benefits expense		
Salaries, wages and bonus	20,85,22,995	17,93,37,004
Contribution to provident, gratuity and other funds	109,03,043	69,36,687
Welfare expenses	<u>95,41,839</u>	<u>1,05,99,553</u>
	<u>22,89,67,877</u>	<u>19,68,73,244</u>
2.6 Finance costs		
Interest	11,83,08,875	13,92,98,748
Other borrowing costs	<u>1,74,25,336</u>	<u>19,47,022</u>
	<u>13,57,34,211</u>	<u>14,12,45,770</u>
Other borrowing costs include amortisation on :		
Premium on forward contracts	1,74,25,336	19,47,022

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

	For the year ended March 31, 2014 Rupees	For the year ended March 31, 2013 Rupees
2.7 Depreciation and amortisation expense		
Tangible assets		
Buildings	1,43,57,973	1,44,64,722
Plant and machinery	6,34,25,880	6,44,44,856
Wind energy converters	3,13,98,127	3,13,98,132
Furniture and fittings	4,09,114	1,04,685
Office equipments	3,02,392	5,48,210
Vehicles	21,64,537	19,79,722
	<u>11,20,58,023</u>	<u>11,29,40,327</u>
Less Transfer from revaluation reserve	37,64,401	37,64,401
Total depreciation on tangible assets (A)	<u>10,82,93,622</u>	<u>10,91,75,926</u>
Intangible assets		
Computer software - acquired	30,74,204	33,53,688
Total depreciation on intangible assets (B)	<u>30,74,204</u>	<u>33,53,688</u>
Grand total (A + B)	<u>11,13,67,826</u>	<u>11,25,29,614</u>
2.8 Other expenses		
Conversion charges	1,53,08,562	1,60,40,657
Consumption of stores and spares	3,84,95,196	3,43,98,283
Power and fuel-net	29,94,98,270	28,83,55,084
Rent	3,67,170	4,12,671
Repairs and maintenance - Buildings	31,90,954	20,79,945
- Plant and machinery	2,79,97,574	2,96,40,118
Insurance	19,37,915	8,79,966
Rates and taxes	12,76,961	18,09,152
Packing and forwarding chages	2,57,39,758	2,02,43,174
Printing and stationery	6,84,053	7,49,257
Brokerage and commission on sales	2,21,10,684	2,03,13,049
Travel and vehicle upkeep expenses	1,73,30,806	1,34,27,782
Donation and charity	62,58,104	60,65,200
Premium on hank yarn obligation charges	37,08,756	33,29,007
Directors' sitting fees	5,90,000	5,95,000
Bad debts written off	—	81,600
Bank and other financial charges	1,55,93,111	78,24,486
Miscellaneous expenses	90,89,501	90,15,017
	<u>48,91,77,375</u>	<u>45,52,59,448</u>
2.9 Exceptional item		
Diminution in value of long term investment		
- SPMM Health Care Services Private Limited	45,29,000	—
	<u>45,29,000</u>	<u>—</u>


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

	For the year ended March 31, 2014 Rupees	For the year ended March 31, 2013 Rupees
3.1 Information regarding Imports (c.i.f)		
Raw materials	17,15,25,400	13,24,88,374
Machinery spares	49,64,266	27,02,308
3.2 Foreign currency transactions and other financial information		
(i) Expenditure in foreign currency		
Interest	10,28,242	14,25,801
Travel	6,81,340	—
Others	1,94,448	1,84,117
(ii) Earnings in foreign currency		
Export of goods (FOB value)	5,99,62,845	6,27,18,181
Others (freight recoveries)	2,77,740	3,66,714
(iii) Remittance of dividend to Non-Resident Shareholders	—	—
3.3 Auditor's remuneration		
(included under Miscellaneous expenses (refer Note 2.8 to the Financial statements))		
(i) For financial audit	4,25,000	4,25,000
(ii) For cost audit	1,00,000	1,00,000
(iii) For taxation matters	1,25,000	1,25,000
(iv) For other services	1,98,000	1,92,000
(v) For reimbursement of expenses	1,33,239	1,30,476
3.4 Contingent liabilities		
(i) Claims against the company not acknowledged as debts	4,59,05,014	4,59,05,014
(ii) Guarantees	96,66,200	96,66,200
(ii) Bills discounted with banks	—	—
Out flow relating to above not practicable to indicate in view uncertainties involved		
3.5 Capital commitments not provided for (net of advances)	9,58,77,148	9,85,36,341
3.6 Earnings per share		
Profit after taxation as per Statement of Profit and Loss (A)	9,37,11,454	9,10,60,992
Number of equity shares outstanding (B)	42,64,600	42,64,600
Basic and Diluted earnings per share (in Rupees) (A/B)	21.94	21.35


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

	For the year ended March 31, 2014 Rupees	For the year ended March 31, 2013 Rupees
3.7 Segment information		
The company's primary segment is identified as business segment based on nature of products, risks, return and the internal business reporting system (i.e. cotton yarn) and operates in a single geographical segment as per Accounting Standard 17.		
3.8 Related party disclosure		
(i) Related parties with whom transactions have taken place during the year		
(1) Key management personnel		
Sri S. Devarajan – Chairman and Managing Director		
(2) Associate		
SPMM Healthcare Services Private Limited		
(3) Parties where significant influence exists		
Sambandam Siva Textiles Private Limited		
S. Palaniandi Mudaliar Charitable Trust		
Sambandam Spinning Mills Gratuity Trust		
(ii) Transactions with related parties		
(1) Key management personnel		
- Interest payment	35,750	37,924
- Dividend payment	—	—
- Remuneration	36,00,000	36,00,000
- Outstanding balances under Fixed deposits	3,57,175	3,59,134
(2) Parties where significant influence exists		
Sambandam Siva Textiles Private Limited		
- Sale of wind power	1,35,65,349	2,02,10,479
- Outstanding balances at end of the year	—	—
S.Palaniandi Mudaliar Charitable trust		
- Payments for employee welfare services	7,07,183	7,52,633
- Contribution paid	60,00,000	60,00,000
Sambandam Spinning Mills Gratuity trust		
- Contribution paid/payable	40,68,155	8,69,316

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

- 3.9** 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 and
 - (ii) estimated depreciated replacement cost in the case of buildings and
 - (iii) estimated amounts realizable/payable in the case other assets and liabilities. The resulting net surplus on such revaluation aggregating Rs.30,02,16,417 has been credited to revaluation reserve.
- 3.10** The information required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.
- (i) There are no overdues to parties on account of principal amount and/or interest and accordingly no additional disclosures have been made; and
 - (ii) There are no amounts remaining unpaid or unclaimed for a period of seven years in respect of unpaid dividend, matured fixed deposits and interest thereon from the date they became payable by the company and hence there are no amounts remaining to be credited to the Investor Education and Protection Fund.
- 3.11** Derivatives - The company uses derivative financial instruments such as forward contracts and option to hedge certain currency exposures, present and anticipated, denominated mostly in US dollars, Euro and Swiss Franks. Generally such contracts are taken for exposures materializing in the next six months. The company actively manages its currency rate exposures and uses these derivatives to mitigate the risk from such exposures. The company has hedged exposure of US \$ Nil (March 31, 2013 US \$ 7,01,932) as at March 31, 2013 and has a net unhedged exposure of US \$ Nil (March 31, 2013 US\$ 1,31,400) as at March 31, 2013.
- 3.12** Raw material consumed – others include consumption of yarn for manufacture of double yarn.
- 3.13** Power and fuel is net of value of power generated by Wind energy converters Rs.10,06,72,287 (2012-13 Rs.12,52,72,864).
- 3.14** Repairs to buildings include amortization of cost of structures on leasehold land of Rs.3,25,398 (2012-13 Rs.3,25,398).
- 3.15** Human resources – Particulars of managerial remuneration
- (i) To Managing Director – Salary Rs.21,60,000 (2012-13 Rs.21,60,000),
Perquisites Rs.14,40,000 (2012-13 Rs.14,40,000); and
 - (ii) To Joint Managing Directors – Salary Rs.24,00,000 (2012-13 Rs.24,00,000),
Perquisites Rs.12,00,000 (2012-13 Rs.12,00,000).
- 3.16** Depreciation/amortisation –
- (i) Amortised cenvat credit of Rs.4,12,185 (2012-13 Rs.5,05,752) 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 (2012-13 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.

3.17 Details of Long Term Borrowings:

	Bank Name	March 31, 2014				Particulars of Repayment	March 31, 2013			
		Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %		Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %
a.	Secured Loans:									
i)	Term loans from Banks									
	Central Bank of India	—	1,12,50,000	1,12,50,000	13.50	4 quarterly instalments of Rs.25 lakhs each and four quarterly instalments of Rs.28.13 lakhs (2013-14 Rs.100 lakhs and 2014-15 Rs.112.50 lakhs)	1,12,50,000	1,00,00,000	2,12,50,000	13.50
	Indian Overseas Bank	1,02,12,384	1,20,00,000	2,22,12,384	13.50	33 monthly instalments of Rs.10 lakhs each and one monthly instalment of Rs.12 lakhs (2013-14 Rs.120 lakhs, 2014-15 Rs.120 lakhs and 2015-16 Rs.102 lakhs)	2,22,20,000	1,20,00,000	3,42,20,000	13.50
	State Bank of India TL 1	—	3,78,36,000	3,78,36,000	13.65	12 monthly instalments of Rs.15 lakhs each, 11 monthly instalments of Rs.30 lakhs each and one monthly instalment of Rs.48 lakhs (2013-14 Rs.180 lakhs and 2014-15 Rs.378 lakhs)	3,78,36,000	1,80,00,000	5,58,36,000	13.65
	State Bank of India TL 2	15,48,00,000	3,60,00,000	19,08,00,000	13.65	24 monthly instalments of Rs.30 lakhs each, 12 monthly instalments of Rs.58 lakhs each and 12 monthly instalments of Rs.71 lakhs each (2013-14 Rs.360 lakhs, 2014-15 Rs.360 lakhs, 2015-16 Rs.696 lakhs and 2016-17 Rs.852 lakhs)	19,08,00,030	3,60,00,000	22,68,00,030	13.65

Bank Name	March 31, 2014				Particulars of Repayment	March 31, 2013			
	Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %		Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %
State Bank of India TL 3	—	2,48,00,000	2,48,00,000	13.65	12 monthly instalment of Rs.12 lakhs each, 11 monthly instalment of Rs.20 lakhs each and one monthly instalment of Rs.28 lakhs (2013-14 Rs.144 lakhs, 2014-15 Rs.248 lakhs)	2,48,00,000	1,44,00,000	3,92,00,000	13.65
State Bank of India TL 4	6,43,50,000	1,89,00,000	8,32,50,000	13.75	6 monthly instalment of Rs.11.25 lakhs each, 12 monthly instalment of Rs.15.75 lakhs each, 12 monthly instalment of Rs.18 lakhs each, 16 monthly instalment of Rs.22.50 lakhs and 2 monthly instalment of Rs.33.75 lakhs each (2013-14 Rs.67.50 lakhs, 2014-15 Rs.189 lakhs, 2015-16 Rs.216 lakhs, 2016-17 Rs.360 lakhs and 2017-18 Rs.67.50 lakhs)	8,32,50,000	67,50,000	9,00,00,000	13.75
Karnataka Bank TL 1	4,01,25,000	1,20,00,000	5,21,25,000	14.00	12 quarterly instalments of Rs.30 lakhs each, 3 quarterly instalments of Rs.100 lakhs each and one quarterly instalment of Rs.101.25 lakhs (2013-14 Rs.120 lakhs, 2014-15 Rs.120 lakhs, 2015-16 Rs.401.25 lakhs)	5,21,25,000	1,20,00,000	6,41,25,000	14.00
Karnataka Bank TL 2	8,49,38,093	2,80,00,000	11,29,38,093	14.00	4 quarterly instalments of Rs.52 lakhs each, 4 quarterly instalments of Rs.70 lakhs each, 4 quarterly instalments of Rs.88 lakhs each, 3 quarterly instalments of Rs.140 lakhs each and one quarterly instalment of Rs.77.38 lakhs (2013-14 Rs.208 lakhs, 2014-15 Rs.280 lakhs, 2015-16 Rs.352 lakhs, 2016-17 Rs.497.38 lakhs)	11,29,38,093	2,08,00,000	13,37,38,093	14.00



Karnataka Bank TL 3	—	—	—	14.00	3 quarterly instalments of Rs.125 lakhs each and one quarterly instalment of Rs.95 lakhs (2013-14 Rs.470 lakhs)	—	4,70,00,000	4,70,00,000	14.00
Karnataka Bank Ltd. - TL 4	2,75,26,000	80,88,000	3,56,14,000	13.75	6 monthly instalment of Rs.4.81 lakhs each, 12 monthly instalment of Rs.6.74 lakhs each, 12 monthly instalment of Rs.7.70 lakhs each, 17 monthly instalment of Rs.9.63 lakhs and 1 monthly instalment of Rs.19.15 lakhs (2013-14 Rs.28.86 lakhs, 2014-15 Rs.80.88 lakhs, 2015-16 Rs.92.40 lakhs, 2016-17 Rs.115.56 lakhs, 2017-18 Rs.67.30 lakhs)	3,56,14,000	28,86,000	3,85,00,000	13.75
Canara Bank TL 1	—	—	—	13.50	12 monthly instalments of Rs.30 lakhs each (2013-14 Rs.360 lakhs)	—	3,60,00,000	3,60,00,000	13.50
IDBI Bank Ltd. Term loan	2,44,74,829	83,50,000	3,28,24,829	14.00	7 quarterly instalments of Rs.19.50 lakhs each, one quarterly instalment of Rs.25 lakhs, 8 quarterly instalments of Rs.25 lakhs each and one quarterly instalment of Rs.40.25 lakhs (2013-14 Rs.78 lakhs, 2014-15 Rs.83.50 lakhs, 2015-16 Rs.100 lakhs, 2016-17 Rs.100 lakhs, 2017-18 Rs.40.25 lakhs)	3,28,25,000	78,00,000	4,06,25,000	14.25
HDFC Bank bus loan	—	3,20,008	3,20,008	10.25	19 monthly instalments (2013-14 Rs.2.74 lakhs and 2014-15 Rs.5.94 lakhs)	5,94,292	2,74,284	8,68,576	10.25
Federal Bank car loan	—	1,16,745	1,16,745	10.71	19 monthly instalments (2013-14 Rs.1.84 lakhs and 2014-15 Rs.1.17 lakhs)	1,16,748	1,83,994	3,00,742	10.71

	Bank Name	March 31, 2014				Particulars of Repayment	March 31, 2013			Rate of Interest %
		Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %		Non Current Rupees	Current Rupees	Total Rupees	
	State Bank of India car loan	4,35,690	5,05,255	9,40,945	9.90	26 monthly instalments (2014-15 Rs.4.34 lakhs and 2015-16 Rs.4.34 lakhs and 2016-17 Rs.0.73 lakhs)				
	State Bank of India car loan	2,64,300	3,31,284	5,95,584	9.90	24 monthly instalments (2014-15 Rs.2.98 lakhs and 2015-16 Rs.2.98 lakhs)				
ii)	Term loan from others Kotak Mahindra Prime Limited car loan	,99,335	10,20,000	11,19,335	9.90	35 monthly instalment (2012-13 Rs.5.07 lakhs, 2013-14 Rs.8.73 lakhs, 2014-15 Rs.8.03 lakhs and 2015-16 Rs.3.17 lakhs)	11,19,335	8,73,378	19,92,713	9.90
iii)	Cash credit from banks State Bank of India Karnataka Bank Ltd. Axix Bank Ltd. Canara Bank		20,09,91,142 9,50,34,118 519,15,916 4,63,06,414	20,09,91,142 9,50,34,118 519,15,916 4,63,06,414	13.25 13.25 12.75 13.50	On demand On demand On demand On demand		11,58,61,574 6,15,66,889 99,46,625 5,46,68,677	11,58,61,574 6,15,66,889 99,46,625 5,46,68,677	13.25 13.25 12.75 13.50

**3.18 Employee benefits -
(i) Defined Employee benefit plans - As per Actuarial valuation as on March 31, 2014**

Rs. lakhs

	Gratuity (funded)					Compensated absences (unfunded)						
	2013-14	2012-13	2011-12	2010-11	2009-10	2013-14	2012-13	2011-12	2010-11	2009-10		
A. Expenses recognised in the statement of profit and Loss Accounting for the year ended Mar 31, 2012												
(i) Current service cost	23.10	20.62	22.36	23.99	20.86	1.08	1.22	1.19	1.19	1.19		1.19
(ii) interest cost	25.17	25.39	21.76	20.82	19.72	14.12	15.21	14.00	13.51	11.63		11.63
(iii) Expected return on plan assets	-28.39	-17.07	-20.47	-19.53	-18.69	—	—	—	—	—		—
(iv) Net actuarial(gain)/loss recognised during the year	20.80	-20.25	55.58	24.55	14.45	-9.55	-11.76	-9.14	-8.53	3.54		3.54
Total expenses	40.68	8.69	79.23	49.83	36.34	5.65	4.67	6.06	6.17	16.36		16.36
B. Actual return on plan assets												
(i) Expected return on plan assets	28.39	17.07	20.47	19.53	18.69							
(ii) Actuarial(gain)/loss on plan assets		-5.26	-6.55	-2.11	3.51							
(iii) Actual return on plan assets		11.81	13.92	17.42	22.20							
C. Net asset/(liability) recognised in the balance sheet												
(i) Present value of the obligation	368.25	329.43	336.12	301.07	286.74	191.44	185.78	181.11	175.05	188.63		188.63
(ii) Fair value of plan assets	313.56	315.43	211.05	255.24	250.40	—	—	—	—	—		—
(iii) Funded status (surplus/deficit)	-54.69	-14.00	-125.07	-45.83	-36.34	-191.44	-185.78	-181.11	-175.05	-188.63		-188.63
(iv) Unrecognised past service cost	—	—	—	—	—	—	—	—	—	—		—
(v) Net Asset/(liability) recognised in the balance sheet	-54.69	-14.00	-125.07	-45.83	-36.34	-191.44	-185.78	-181.11	-175.05	-188.63		-188.63
D. Change in Present value of the obligation during the year												
(i) Present value of the obligation as at beginning of the year	329.43	336.12	301.08	286.74	267.28	195.78	181.11	175.05	188.63	172.27		172.27
(ii) Current service cost	23.10	20.62	22.36	23.99	20.86	1.08	1.22	1.19	1.19	1.19		1.19
(iii) interest cost	25.17	25.39	21.76	20.82	19.72	14.12	15.21	14.00	13.51	11.63		11.63
(iv) Benefits paid	-29.47	-37.43	-58.11	-52.91	-32.05	—	—	—	-19.75	—		—
(v) Actuarial(gain)/loss on obligation	20.01	-15.27	49.03	22.44	10.93	-9.55	-11.76	-9.14	-8.53	3.54		3.54
(vi) Present value of obligation as at end of the year	368.24	329.43	336.12	301.08	286.74	191.43	185.78	181.11	175.05	188.63		188.63



	Gratuity (funded)					Compensated absences (unfunded)				
	2013-14	2012-13	2011-12	2010-11	2009-10	2013-14	2012-13	2011-12	2010-11	2009-10
E. Change in assets during the year										
(i) Fair value of plan assets as at beginning of the year	315.43	211.05	255.24	250.40	180.08					
(ii) Expected return on plan assets	28.39	17.07	20.47	19.53	18.69					
(iii) Contributions	—	130.00	—	40.34	87.20					
(iv) Benefits paid	-29.47	-37.43	-58.11	-62.91	-32.05					
(v) Actuarial(gain)/loss on plan assets	-0.79	-5.26	-6.55	-2.11	-3.51					
(vi) Fair value of plan assets as at end of the year	313.56	315.43	211.05	255.24	250.40					
F. Experience adjustments in										
(i) Plan liabilities - loss(gain)	20.01	-15.27	49.03	22.44	10.93	-9.55	-11.76	-9.14	-8.53	3.54
(ii) Plan assets - loss(gain)	-0.79	5.26	6.55	2.11	3.51	—	—	—	—	—
G. Major categories of plan assets as a percentage of total plan										
(i) Government of India securities	—	—	—	4%	4%	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded
(ii) State Government Securities	—	—	—	—	—	—	—	—	—	—
(iii) High Quality Corporate bonds	—	—	—	—	—	—	—	—	—	—
(iv) Special Deposit Scheme	—	—	—	—	—	—	—	—	—	—
(v) Other (Bank deposits)	—	—	—	37%	37%	—	—	—	—	—
(vi) SBI Life insurance company	100%	100%	100%	59%	59%	—	—	—	—	—
(vii) Total	100%	100%	100%	100%	100%	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded
H. Actuarial Assumptions										
(i) Discount rate	8%	8%	8%	8%	8%	8.30%	7.60%	8%	8%	8%
(ii) Salary escalation rate	5%	5%	5%	5%	5%	6%	6%	5%	5%	5%
(iii) Attrition rate	5%	5%	5%	5%	5%	1%	1%	5%	5%	5%
(iv) Expected return on plan assets	9.00%	8.50%	8%	8%	8%	0%	0%	0%	0%	0%

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

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

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

Salaries, wages and bonus include compensated absences of Rs.5,65,400 (2012-13 Rs.4,67,280)

Contribution to provident, gratuity and other funds include contribution to provident fund and family pension fund contribution of Rs.68,34,888 (2012-13 Rs.60,67,371) and gratuity fund of Rs.40,68,155 (2012-13 Rs.8,69,316).

Workmen and staff welfare expenses include contribution to employees state insurance of Rs.31,90,655 (2012-13 Rs.26,58,169).

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

Signatures to Statement of Accounting Polices and Notes to Financial Statements

Salem, May 30, 2014	S. Dinakaran Joint Managing Director	For and on behalf of the board
	D. Niranjan Kumar Chief Financial Officer	S. Devarajan Chairman and Managing Director
		R. S. Shanmugam Company Secretary



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Certification



FORM A

Format of covering letter of the annual report to be filled with the Stock Exchanges

1.	Name of the Company	Sambandam Spinning Mills Limited
2.	Annual financial statements for the year ended	March 31, 2014
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	NA
5.	To be signed by –	
	<ul style="list-style-type: none"> • CEO/Managing Director 	 S. Devarajan – Chairman and Managing Director
	<ul style="list-style-type: none"> • CFO 	 D. Niranjan Kumar - CFO
	<ul style="list-style-type: none"> • Auditor of the Company 	 R. Krishnen – Partner M.S. Krishnaswami & Rajan
	<ul style="list-style-type: none"> • Audit Committee Chairman 	 P.S. Ananthanarayanan – Chairman of Audit Committee

