

Sambandam Spinning Mills Limited

Board of Directors S . Devarajan – Chairman and Managing Director
S . Jegarajan – Joint Managing Director
S . Dinakaran – Joint Managing Director
A. R. Annamalai
D. Sudharsan
V. Mahadevan
P. S . Ananthanarayanan
V. Gopalan
N. Asoka

Company Secretary and Chief Financial Officer R. S. Shanmugam

Statutory Auditors M. S. Krishnaswami & Rajan

Cost Auditors S . Mahadevan & Co

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

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

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

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



NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **Thirty Eight Annual General Meeting** of the Company will be held at the Registered Office of the Company on, **Monday, the 13th August, 2012 at 10.15 a.m** to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and the Profit and Loss account and the Cash Flow Statement for the year ended on that date together with the Notes annexed thereto and the reports of the Directors and the Auditors thereon.
2. To appoint a director in the place of Sri P.S. Ananthanarayanan who retires by rotation and being eligible, offers himself for re-appointment:
3. To appoint a director in the place of Sri D. Sudharsan who retires by rotation and being eligible, offers himself for re-appointment:
4. To appoint auditors and to fix their remuneration and, in this connection to pass with or without modification, the following resolution as an Ordinary Resolution:

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

Special Business

5. To consider, and if thought fit, to pass with or without modification, the following Resolution, as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or enactment thereof for the time being in force), consent of the Company be and is hereby accorded for reappointment of Sri S. Devarajan, Chairman and Managing Director of the Company, for a period of three years from 1.10.2012 to 30.09.2015 on the following terms and conditions recommended by the Remuneration Committee and approved by the Board of Directors of the Company.

- (a) Basic Salary Rs.1,80,000/- (Rupees one lakh eighty thousand only) per month.
- (b) Perquisites and allowances not exceeding Rs.1,20,000/- (Rupees one lakh twenty thousand only) per month, details of which are set out in the Explanatory Statement.”



6. To consider, and if thought fit, to pass with or without modification, the following Resolution, as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or enactment thereof for the time being in force), consent of the Company be and is hereby accorded for reappointment of Sri S. Jegarajan, Joint Managing Director of the Company, for a period of three years from 1.10.2012 to 30.09.2015 on the following terms and conditions recommended by the Remuneration Committee and approved by the Board of Directors of the Company.

- (a) Basic Salary Rs.1,50,000/- (Rupees one lakh fifty thousand only) per month.
(b) Perquisites and allowances not exceeding Rs.1,00,000/- (Rupees one lakh only) per month, details of which are set out in the Explanatory Statement.”

7. To consider, and if thought fit, to pass with or without modification, the following Resolution, as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or enactment thereof for the time being in force), consent of the Company be and is hereby accorded for reappointment of Sri S. Dinakaran, Joint Managing Director of the Company, for a period of three years from 1.10.2012 to 30.09.2015 on the following terms and conditions recommended by the Remuneration Committee and approved by the Board of Directors of the Company.

- (a) Basic Salary Rs.50,000/- (Rupees fifty thousand only) per month.
(b) Perquisites and allowances : Following are the only perquisites/allowances payable to Sri S. Dinakaran, Joint Managing Director
(i) Company's contribution to provident fund;
(ii) Payment of Gratuity and other retirement benefits;
(iii) Leave with full pay as per the rules of the Company with encashment of unavailed leave being allowed.”

For and on behalf of the Board of
Sambandam Spinning Mills Limited

R.S.Shanmugam

Company Secretary

Place : Salem

Date : May 30, 2012



NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and that the proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from **07.08.2012 to 13.08.2012** (both days inclusive).
3. Members are requested to contact the Registrars and Share Transfer Agents of the Company, M/s. Cameo Corporate Services Ltd., at Subramaniam Building, No.1 Club House Road, Chennai 600 002 for recording any change in their address, bank mandate, or nominations and for redress of grievance or contact the Company Secretary at the Registered Office of the Company. Members can also submit their grievances direct to the Company at the following e mail ID:
cs@sambandam.com , corporate@sambandam.com
4. Those members who have not so far encashed their **dividend warrants for the year 2005** may send the unencashed dividend warrants to the Company or **approach the Company immediately for payment thereof**, as the same will be invalid after transfer of the unpaid amounts in August 2012 to the Investor Education and Protection Fund of the Central Government, pursuant to Section 205A(5) of the Companies Act, 1956. After transfer of the unpaid dividend to the above fund, shareholders will cease to have any claim over that amount. Members who have not encashed any other year's dividend warrants after 2005 also may return the warrant(s) to the Company or contact the Company with their shareholding details for issue of fresh cheque in lieu of the unencashed dividend warrant(s). Unencashed/Unpaid dividends upto 2004 have already been transferred to the Investor Education and Protection Fund A/c of Government of India. As such no claim can be made for the dividends declared/paid prior to 2005.
5. As per the provisions of Sections 109A and 109B of the Companies Act, 1956 facility for making nomination is available to shareholders in respect of the shares held by them. This will facilitate smooth transmission of shares after the life time of the shareholders, particularly those holding shares in sole name. Nomination forms can be obtained from Cameo Corporate Services Limited, at Subramaniam Building, No.1, Club House Road, Chennai – 600 002.
6. Securities and Exchange Board of India (SEBI) vide its Circular No.MRD/DoP/Cir-05/2009, dated May 20, 2009 issued pursuant to Section 11 of the SEBI Act, 1992, read with Section 55A of the Companies Act, made it mandatory for shareholders to furnish copy of their PAN card to the Company/RTA for registration of transfer of their shares. This is applicable to every transfer of shares transacted in the securities market irrespective of the amount of such transaction. Shareholders are advised to take note of this circular and comply with the same whenever they intend to transfer their shares / acquire further shares.
7. Members are requested to inform the Company their e-mail ID to facilitate quick response from the Company. Ministry of Corporate Affairs has recognised e-mail communication to share holders as effective and efficient means of communication from the Company and also addressed to the Company. Members may register their e-mail id with the Company and also keep the Company informed of any changes in their e-mail ID.
8. As per SEBI Regulation (Regulation No 13) a person holding the Company's shares/acquiring the Company's shares (voting rights) exceeding 5% of the paid up share capital (two lakhs equity shares of the Company together with their existing holdings) shall inform the Company within 4 working days of acquisition of the Company's shares before sending the share transfer documents to Cameo Corporate Services Ltd., for registering the shares in their name. Similarly persons already holding 5% or more (more than two lakhs) equity shares of the Company shall inform the Company if they sell or transfer any of their shares within 4 working days of sale of their shares.



9. Members who have not so far dematerialized their shares are advised to demat the shares held in physical form.
10. Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a brief resume of the directors who are proposed to be re-appointed on their retirement at this Annual General Meeting is given below:
 - (a) Sri P.S. Ananthanarayanan, an Engineer cum Cost Accountant, has held high position in Balmer Lawrie & Company Limited. He has three decades of experience in the field of cost control and planning. He is the Chairman of the Audit Committee and the Remuneration Committee of the Company. He is also a Director and member of the Audit Committee and the Remuneration Committee of Kandagiri Spinning Mills Limited. He does not hold any shares in the Company.
 - (b) Sri D. Sudharsan has a Diploma in Textile Technology. He has sixteen years of experience in Spinning Mills as Executive Director of the Company. Presently he is only a Director on the Board of Directors of the Company and he is not drawing any remuneration from the Company. He is related to the Managing Director of the Company. He is holding 77,060 Equity Shares of the Company.

Explanatory Statement pursuant to Sec.173(2) of the Companies Act, 1956 for items No.5, 6 and 7 :

Remuneration Committee of the Company, at its meeting held on May 30, 2012, recommended reappointment of Sri S. Devarajan, Chairman and Managing Director and Sri S. Jegarajan and Sri S. Dinakaran Joint Managing Directors for a period of three years from 1-10-2012 to 30-09-2015 and for payment of remuneration as stated in the respective resolutions. Board of Directors of the Company is of the opinion that Sri S. Devarajan, Chairman and Managing Director, Sri S. Jegarajan and Sri S. Dinakaran Joint Managing Directors are fit and proper persons to hold the said office and that payment of remuneration to them as stated in the Resolutions are in the interest of the Company.

- (a) Perquisites and Allowances: Following are the perquisites/allowances payable to Sri S. Devarajan, Chairman and Managing Director and Sri S. Jegarajan, Joint Managing Director.
 - (i) Company's contribution to provident fund; (ii) Payment of Gratuity and other retirement benefits; (iii) Leave with full pay as per the rules of the Company with encashment of unavailed leave being allowed; (iv) Maintenance of residential accommodation, gas, water, electricity and power, furnishings and utility allowance; (v) reimbursement of medical expenses incurred in India and abroad for self and family including, in case of medical treatment abroad, air fare, boarding and lodging for patient and attendant; (vi) leave travel assistance and allowance; (vii) membership fees for clubs, including admission and life membership; (viii) hospitalisation and accident insurance; (ix) cost of insurance cover against the risk of any financial liability or loss because of any error of judgment; (x) free use of Company's car with driver for Company's work as well as for personal purpose along with driver, (xi) telephone, tele-fax and other communication facilities at Company's cost, (xii) subject to any statutory ceiling(s), the appointee may be given any other perquisites, benefits and facilities as the remuneration committee may, from time to time decide.
- (b) Valuation of perquisites: Perquisites shall be valued as per the income tax rules, wherever applicable and at actual cost to the company in other cases.
- (c) The Company's contribution to provident fund as per para (b)(i) above, payment of gratuity as per para (b)(ii) above and encashment of leave at the end of the tenure as per para (b)(iii) above shall not be included in the computation of perquisites for the purpose of the ceiling.

In terms of Section II (1) (B) of Part II of Schedule XIII of the Companies Act, 1956, the Company can pay upto Rs.4,00,000 per month by way of salary and other perquisites and allowances, provided, the shareholders' approval by way of special resolution has been obtained for payment of managerial remuneration for a period not exceeding three years. Accordingly, the special resolutions at the Items No.5, 6 and 7 are placed before the shareholders.



As required under clause (IV) of the proviso under Section II (1)(B) of Schedule XIII to the Companies Act, 1956, the additional information is furnished as under:

I General Information

- (1) Name of the industry : Textile
- (2) Date of commencement of Commercial Production : June 1974
- (3) Financial Performance :

Financial Highlights

Rs. lakhs

	2011-12	2010-11
Share Holders' funds	5905.12	7394.52
Non-Current Liabilities	9463.95	12003.45
Current Liabilities	9616.76	14030.31
Non-Current Assets	18328.47	19150.36
Current Assets	6657.36	14277.92
Income	18722.87	20746.84
Expenses	20886.66	18825.88
Profit / (Loss) before tax	(2163.79)	1920.96
Profit / (Loss) after tax	(1443.79)	1255.96
Earnings per Equity share (Face value Rs.10) -basic and diluted (in Rs.)	(33.86)	29.45
Total Capital employed	15079.83	19078.14
Net worth per share (Rs.)	138.46	173.39
Profit before Interest and Depreciation	759.00	4474.11
Retained earnings	Nil	2370.43
Dividend (%)	-	40

(Rs. Lakhs)

		2011-12	2010-11
4) Export Performance and net Foreign exchange	(i) Earnings in foreign exchange	586.95	139.22
Collaborations	No foreign collaboration		
	(ii) Expenditure in Foreign Currencies	63.59	71.81
5) Foreign investments or Collaborators, if any	Nil		



II Information about the appointee:

- | | |
|----------------------------|---|
| (1) Background details: | <p>(1) Sri S. Devarajan, 62 years of age, is a Science Graduate. He became the Managing Director of the Company on October 23, 2002 and has the distinction of leading the Company since then. He has been director in various Companies and has four decades of experience in the field of textiles and finance.</p> <p>(2) Sri S. Jegarajan, 60 years of age, is a Matriculate. He became the Joint Managing Director of the Company on October 23, 2002 and has been leading the Company since then. He has been director in various Companies and has more than three decades of experience in the field of textiles.</p> <p>(3) Sri S. Dinakaran, 55 years of age, is an Arts Graduate. He became the Joint Managing Director of the Company on October 23, 2002 and has been leading the Company since then. He has been director in various Companies and has more than three decades of experience in the field of textiles. He is presently the Chairman of SIMA and Member of the Committee on Administration of TEXPROCIL, Mumbai and Confederation of Indian Textile Industry, New Delhi.</p> |
| (2) Past remuneration: | <p>(1) For Sri S. Devarajan, Rs.3,00,000/- per month inclusive of perquisites such as House rent allowance, Medical reimbursement, gas, water and electricity, leave encashment, gratuity, club subscriptions and other usual perquisites.</p> <p>(2) For Sri S. Jegarajan, Rs.2,50,000/- per month inclusive of perquisites such as House rent allowance, Medical reimbursement, gas, water and electricity, leave encashment, gratuity, club subscriptions and other usual perquisites.</p> <p>(3) For Sri S. Dinakaran, Rs.50,000/- per month inclusive of perquisites such as House rent allowance, Medical reimbursement, gas, water and electricity, leave encashment, gratuity, club subscriptions and other usual perquisites.</p> |
| (3) Recognition and award: | Nil |
| (4) (i) Job profile | <p>(1) As Chairman and Managing director Sri S. Devarajan is in charge of the management of the affairs of the Company.</p> <p>(2) As Joint Managing director Sri S. Jegarajan, is assisting the Chairman and Managing Director in the management of the affairs of the Company.</p> <p>(3) As Joint Managing director Sri S. Dinakaran, is assisting the Chairman and Managing Director in the management of the affairs of the Company.</p> |
| (ii) His suitability | <p>(1) Experience of Sri S. Devarajan, for the past 40 years as Director of Sambandam Spinning Mills Limited and for the past 13 years as Managing Director of the Company makes him ideally suitable for the said position.</p> <p>(2) Experience of Sri S. Jegarajan, in the field of administration of the Company for the past 36 years makes him ideally suitable for the said position.</p> <p>(3) Experience of Sri S. Dinakaran, in the field of marketing, production and administration of the Company for the past 30 years makes him ideally suitable for the said position.</p> |



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|--|---|
| (5) Remuneration proposed | <p>(1) Rs.3,00,000/- per month inclusive of perquisites and other terms as mentioned supra for Sri S. Devarajan.</p> <p>(2) Rs.2,50,000/- per month inclusive of perquisites and other terms as mentioned supra for Sri S. Jegarajan.</p> <p>(3) Rs.50,000/- per month inclusive of perquisites and other terms as mentioned supra for Sri S. Dinakaran.</p> |
| (6) Comparative remuneration profile with respect to industry | Information not available |
| (7) Pecuniary relationship with the Company or relationship with the managerial personnel, if any: | <p>(1) Sri S. Devarajan holds 3,88,674 equity shares of Rs.10 each in the Company and he is related to Sri D. Sudharsan, Sri S. Jegarajan and Sri S. Dinakaran.</p> <p>(2) Sri S. Jegarajan holds 4,25,846 equity shares of Rs.10 each in the Company and he is related to Sri S. Devarajan and Sri S. Dinakaran.</p> <p>(3) Sri S. Dinakaran holds 3,44,879 equity shares of Rs.10 each in the Company and he is related to Sri S. Devarajan and Sri S. Jegarajan.</p> |

III. Other information:

Reasons for inadequate profits, steps taken for improvement and expected increase in productivity

Company's profitability was mainly affected due to fall in the price of yarn engendered by the recession in the US and European economy, EB power crisis in Tamilnadu and high cost of Finance. Management is contemplating to initiate measures towards development of value added products and cost cutting measures, which are expected to improve the productivity and profitability of the company.

The proposed remuneration of Sri S. Devarajan, Chairman and Managing Director and Sri S. Jegarajan and Sri S. Dinakaran, Joint Managing Directors are subject to the approval of the shareholders by way of special resolution at the ensuing Annual General Meeting of the Company.

Sri D. Sudharsan, Sri S. Jegarajan and Sri S. Dinakaran, are concerned with or interested in the aforesaid proposed remuneration payable to Sri S. Devarajan, Chairman and Managing Director. Sri S. Devarajan and Sri S. Dinakaran are concerned with or interested in the aforesaid proposed remuneration payable to Sri S. Jegarajan, Joint Managing Director. Sri S. Devarajan and Sri S. Jegarajan are concerned with or interested in the aforesaid proposed remuneration payable to Sri S. Dinakaran, Joint Managing Director.

Minutes of the Remuneration Committee Meeting and the Board Meeting regarding re-appointment of the aforesaid whole time directors and the remuneration payable to them are available at the Registered Office of the Company and is open for inspection by members during office hours.

The above Explanatory Statements together with the accompanying notice are to be treated as abstract of the terms of remuneration payable to Sri S. Devarajan, Chairman and Managing Director, Sri S. Jegarajan, Joint Managing Director and Sri S. Dinakaran, Joint Managing Director of the Company under section 302 of the Companies Act 1956.

Registered Office :
Mill Premises,
Kamaraj Nagar Colony,
Salem – 636 014.

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



DIRECTORS' REPORT

Your directors have pleasure in submitting their 38th Annual Report together with the Audited Accounts for the year ended March 31, 2012 (the year).

Performance highlights	2011-12	2010-11
	(Rupees lakhs)	
Turnover :		
Direct exports	579	134
Merchandise exports	3048	3690
Domestic Sales	14893	16731
Total Yarn Sales	18520	20555
Conversion charges earned	32	22
Wind Energy Converter Power sold to third party	127	136
Total turnover	18679	20713
Profit/(loss) :		
Profit/(loss) before interest and depreciation)	759	4474
Cash profit/(loss) (ie. profit/(loss) before depreciation)	(1044)	3035
Profit/(loss) before tax	(2164)	1921
Profit/(loss) after tax	(1444)	1256

Dividend

Due to the loss incurred by the Company, your directors have not recommended any dividend for the year ended 31.3.2012.

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) The last couple of years have seen almost all the economies of the world go through tumultuous times and India has been no exception to the troubled economic situation. With slackening global demand, tight liquidity situation, and the monetary tightening measures taken by Reserve Bank of India to tame inflation, the Indian industries experienced dampening economic activity.



- (ii) The year under review was quite challenging for Textile Industry. Sharp rise in the price of Cotton and Yarn in the beginning of the year and sudden and steep fall in the price of cotton within a few weeks in April 2011 coupled with ban on Export of yarn during the 4th quarter of the previous Financial Year impacted the Yarn market and there was virtual standstill during the next few months. The spinning sector was overburdened with high cost raw material carried in stock as at the end of the previous year and the inability of the market to absorb that cost resulted in huge loss to almost all companies in the Spinning Industry. Even though cotton price started stabilizing in the second half of 2011-12, Yarn market did not recover throughout the year.
- (iii) Power shortage in Tamil Nadu became severe during the second half of 2011-12 necessitating increased use of gensets to meet the shortfall resulting in increased cost of production during that period.
- (iv) Bank interest rates were increased by almost 3% during the year as per the Reserve Bank of India's monetary tightening measures, which resulted in abnormal increase in Financial Cost during the year.

(b) Company's performance

In order to cope with the market conditions, several cost saving measures were adopted by the Company such as reducing three shifts to two shifts, completely shutting the mill on Sundays and other power cut days, reducing dependence on Diesel generated power, which resulted in reducing the loss to an extent.

Your company's Wind energy converters (WEC) generated power of the value of Rs.914 lakhs (Rs.939 lakhs – 2010-11) which resulted in reducing purchased power.

(c) Outlook for 2012-13

Since the cotton price has almost stabilized, the industry expects to improve its margin during the year. Demand for your Company's product is quite appreciable in domestic market. In spite of depreciating rupee, the export market is not picking up due to present crisis in the European and US Markets. Your directors do not foresee much improvement in the export market. However, it is hoped the Government of India will intervene with some relief packages to improve the exports. Baring the above situation, the Company's performance will be good in the coming years.

(d) Strategies and Future plans

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

(e) Internal control and systems

Your company has in place well established internal control procedures covering various areas such as procurement of raw materials, production planning, quality control, maintenance planning, marketing, cost control and debt servicing. Steps are taken without loss of time, whenever any weakness is observed, to correct the same.



(f) Human resources management

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

(g) Corporate Social Responsibility

Your Company's main activity may be centered around producing quality yarn but its concerns reach out beyond the above stated business, to the welfare of your company's employees and the society at large to which your company owes its growth. Your company, along with your group's Associate Company Kandagiri Spinning Mills Limited, is collaborating with two Multi Specialty Hospitals in Salem which, apart from rendering medical service to your Company's employees and their families are also offering medical relief to the public at large at subsidized rates. Your Company is involved in rendering humanitarian services jointly with Rotary International.

(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

During the year, Sri S. Dinakaran, Joint Managing Director of your Company was elected to be the Chairman of the Southern India Mills' Association (SIMA). He is also a member of the Committee of Administration 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, Mr. 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 2011 was submitted on 14.9.2011 to the Ministry of Corporate Affairs (VIDE SRN B 20301420 dated 14.9.2011). Due date for submission of that Cost Audit Report was 27.9.2011.

M/s. S. Mahadevan & Co. were again reappointed for Audit of Cost Accounts of the Company for the year ended 31.3.2012. Their report for the year ended 31.3.2012 will be filed before the due date, i.e. 27.9.2012.

Directors

Sri P.S. Ananthanarayanan and Sri D. Sudharsan, Directors, retire by rotation and are eligible for reappointment.

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



Auditors

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

Annexure

Annexure to this report details Statement on directors' responsibility, conservation of energy, technology absorption, Research and Development and foreign exchange earnings and outgo. 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 the 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, IDBI Bank Limited, Axis Bank Limited, Canara Bank, Indian Overseas Bank and Central Bank of India, Government of Tamil Nadu and other government agencies for their support, and look forward to their continued support in future.

Salem
May 30, 2012

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 31.3.2012 and of the results of operations for the year ended 31.3.2012.

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 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

2011-12 2010-11

1. Electricity

(i) Purchased units*	'000 KWH	1,69,13	2,16,68
Total cost	Rs. lakhs	9.71	12.71
Cost/unit	Rs.	5.74	5.87

*net of units generated thro' wind energy converters

(ii) Own generation

1) Through diesel generator			
Generated units	'000 KWH	52,15	65,93
Units per litre of diesel	KWH	2.52	2.99
Cost/unit	Rs.	12.08	10.77
2) Through steam turbine/generator		—	—
3) Through Wind energy converters			
Generated units(fed to TNEB Grid)	'000 KWH	1,91,56	2,10,31
Cost/unit*	Rs.	3.77	2.81

*Cost includes maintenance charges, interest and depreciation

2. Coal		—	—
3. Furnace oil		—	—
4. Others		—	—

(b) Consumption per unit of production

Production (yarn)*	Kgs. lakhs	74.32	87.75
Consumption of electricity	'000 KWH	4,12,84	4,92,92
Consumption per kg. of Yarn	KWH	5.55	5.62

* excluding production through outsourcing



B. Technology absorption and research and development		—	—
C. Foreign exchange earnings and outgo			
(a) Activities relating to exports			
Yarn exports (including merchandise exports)	Rs. lakhs	3626.54	3824.36
(b) Total Foreign exchange used and earned			
1) CIF value of Imports			
Capital goods*	Rs. lakhs	—	123.42
Spares for Capital goods*	Rs. lakhs	32.43	74.21
Raw materials – cotton*	Rs. lakhs	—	669.97
*exclusive of net exchange difference			
2) Other expenditure in foreign currency			
Interest	Rs. lakhs	57.46	70.41
Other matters	Rs. lakhs	6.14	1.40
3) Foreign exchange earned			
Yarn export	Rs. lakhs	586.96	139.21

(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, 2012

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, 2012.

Salem
May 30, 2012

S. Devarajan
Chairman and Managing Director



CORPORATE GOVERNANCE REPORT – Annexure to Directors' Report

1. Our Company's philosophy on corporate governance

Our Company's philosophy on corporate governance is delineated below:

- Effectiveness measured by the quality of its leadership resulting in the best performance
- Accountability through openness, public disclosure and transparency of activities
- Conforming to high ethical standards in financial policies, internal controls, constant attention towards high quality of its products and continuous upgrading of skills
- Responsibility and responsiveness to stakeholders including shareholders, customers, 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 are members 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 certified that the disqualifications mentioned under Section 274(1)(g) of the Companies Act, 1956 do not apply to them.

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

Code of Conduct

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

Sambandam Spinning Mills Limited



Directorships held by the existing Directors and shares of the Company held by them as on March 31, 2012 are given below:

Name of Director	Number of other Companies' Directorship	Number of other Companies' Committees of which member*	Number of shares of the Company held as on 31.03.2012
Sri S. Devarajan Chairman and Managing Director	6	2	3,88,974
Sri S. Jegarajan Joint Managing Director	2	–	4,25,846
Sri S. Dinakaran Joint Managing Director	4	–	3,44,879
Sri D. Sudharsan	2	–	77,060
Sri A.G. Venkatesan (upto August 12, 2011)	1	–	2,75,790
Sri A.R. Natarajan (from August 12, 2011)	1	–	1,92,420
Sri P. S. Ananthanarayanan	1	1	—
Sri V. Mahadevan	2	2	—
Dr. V. Gopalan	2	1	—
Sri N. Asoka	2	2	—

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

Audit Committee

The Audit Committee presently consists of four non executive independent Directors. Sri P.S. Ananthanarayanan, an independent Director, is the Chairman of the Audit Committee. Sri V. Mahadevan, Dr.V. Gopalan and Sri N. Asoka, independent directors are members of the Audit Committee. The Chairman and Managing Director, Internal Auditor, Statutory Auditors and the 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 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, meet the statutory auditors and discuss 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 A.R. Natarajan, non executive Director, are members of this Committee. The Company Secretary and Chief Financial Officer is the Secretary of the Committee and the Compliance officer. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings.

Investor Grievance Committee

The Investor Grievance Committee has been constituted to specifically look into the redressal of investors' complaints. This committee looks into investor relations/grievances on a periodical basis. Sri N. Asoka, non executive Independent Director chairs the meetings of the Committee. Sri D. Sudharsan and Sri A.R. Natarajan, non executive Directors, are members of this Committee. The Company Secretary and Chief Financial Officer is the Secretary of the Committee and the Compliance officer. Minutes of the Committee meetings are circulated to all Directors and discussed at the Board meetings. During the year two complaints were received from investors and redressed satisfactorily and 140 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 and Chief Financial Officer is the Secretary of the committee. The said 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.

Remuneration Committee

The Remuneration Committee has been constituted to consider the remuneration and other benefits to the executive directors. The Committee consists of 3 non executive Independent Directors, namely Sri P.S. Ananthanarayanan, Dr.V.Gopalan and Sri N. Asoka.

Sri P.S. Ananthanarayanan chairs the meetings of the Committee. The Company Secretary and Chief Financial Officer is the Secretary of the Committee. Minutes of the Committee Meetings are circulated to all the directors and discussed at the Board meetings.



3. Attendance of Directors

Remuneration and attendance of Directors at the meetings of the Board or Committee thereof during the year ended March 31, 2012 are as under:

Name of Director	Board Meetings	Audit Committee Meetings	Share Transfer Committee Meetings	Investor Grievance Committee Meetings	AGM held on August 12, 2011	Directors sitting fees Rs.	Directors remuneration Rs.
Sri S. Devarajan, Chairman and Managing Director	4	–	4	–	1	–	36,00,000
Sri S. Jegarajan Joint Managing Director	4	–	4	–	1	–	30,00,000
Sri S. Dinakaran Joint Managing Director	3	–	–	–	1	–	6,00,000
Sri D. Sudharsan	4	–	–	4	1	40,000	–
Sri A.G. Venkatesan (up to August 12, 2011)	1	–	–	1	–	10,000	–
Sri A.R.Natarajan (from August 12, 2011)	3	–	4	3	1	30,000	–
Sri P. S. Ananthanarayanan	4	5	–	–	1	1,40,000	–
Sri V. Mahadevan	4	5	–	–	1	1,40,000	–
Dr. V. Gopalan	4	5	–	–	1	1,40,000	–
Sri N. Asoka	4	5	–	4	1	1,40,000	–

Note : Four Board meetings were held during the year on May 23, 2011, August 12, 2011, October 29, 2011 and February 01, 2012.

Five Audit Committee meetings were held during the year on April 15, 2011, May 21, 2011, August 11, 2011, October 28, 2011, and January 31, 2012.

Share Transfer Committee meetings and Investors Grievance Committee meetings were held on May 23, 2011, August 12, 2011, October 29, 2011 and February 01, 2012.

4 Filing of Cost Audit Report

	2011-12	2010-11
Due Date	27-9-2012	27-9-2011
Target / Actual Date of Filing	25-9-2012	14-9-2011
Audit qualification in the report		Nil

5 General Shareholder Information

A The 38th Annual General Meeting of the company will be held on 13th August, 2012 at 10.15 a.m. at the registered office of the Company at Kamaraj Nagar Colony, Salem 636 014. The previous three Annual General meetings were held on the following dates:

Year	Date	Time	Venue
2009	23-09-2009	10.45 a.m.	Mill Premises, Kamaraj Nagar Colony, Salem 636 014.
2010	12-08-2010	10.45 a.m.	Mill Premises, Kamaraj Nagar Colony, Salem 636 014.
2011	12-08-2011	10.15 a.m.	Mill Premises, Kamaraj Nagar Colony, Salem 636 014.



Three Special Resolutions were passed at the Annual General Meeting held on September 23, 2009 to approve the payment of remuneration to Chairman and Managing Director and two Joint Managing Directors of the Company.

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

B. Book Closure Period

The Book Closure period is August 7, 2012 to August 13, 2012 (both days inclusive).

C. Financial Calendar for year 2012-13

Board meetings to be : August 2012, October / November 2012, held in 2012-13 January/February 2013 and May 2013

Annual General Meeting : AGM will be held in August / September, 2013

D. Listing on Stock Exchanges

Annual Listing Fee has been paid and all requirements including submission of quarterly reports and certificates of the stock exchange where the shares of the Company are listed were complied with. Shares of the Company are listed with the Bombay Stock Exchange Limited (Stock Code : 521240) and the Madras Stock Exchange Limited. The Company's Shares are also traded in the 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 87.14% 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 are 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, 2011 to March 31, 2012

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
April 2011	114.00	101.00	October 2011	89.00	61.15
May 2011	113.95	87.50	November 2011	78.55	56.20
June 2011	99.45	82.00	December 2011	71.10	53.50
July 2011	109.90	86.00	January 2012	74.90	56.35
August 2011	97.40	66.45	February 2012	76.75	61.50
September 2011	89.90	67.50	March 2012	75.10	55.50



G. Means of Communication

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

The Company Secretary
Sambandam Spinning Mills Limited Phone : 0427-2240790-94
Post box no.1, Kamaraj Nagar Colony Fax no.:0427-2240169
Salem 636 014. e-mail : cs@sambandam.com

H. Distribution of shareholding as on March 31, 2012

Shares held	Shareholders	%	No. of shares	%
1 – 5000	3677	98.03	7,24,868	17.00
5001 – 10000	23	0.61	1,85,472	4.35
10001 and above	51	1.36	33,54,260	78.65
Total	3751	100.00	42,64,600	100.00

I. Shareholding pattern as on March 31, 2012

Category	No. of shares held	%
Indian Promoters	26,10,234	61.21
Financial Institutions	76,590	1.80
Bodies Corporate	1,38,493	3.25
Non Resident Indians	9,460	0.22
Clearing Member	136	0.01
Indian Public	14,29,687	33.51
Total	42,64,600	100.00

J. Pledge of shares

No pledge has been created over the equity shares held by the Promoters as on March 31, 2012.

K. Disclosures

- (i) Details of transactions with the related parties as specified in Accounting Standards issued under section 211(3) of the Companies Act, 1956 have been reported in the Notes to the Accounts. There is no transaction of material nature with any of the 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 in 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 Agreement

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, 2012 as stipulated in clause 49 of the listing agreements of the said Company with the stock exchanges in India, with the relevant records and documents maintained by the Company and furnished to us and report on Corporate Governance as approved by the Board of Directors.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to procedures and implementation thereof, adopted by the Company for ensuring the said compliance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. Based on the aforesaid examination and according to the information and explanations given to us, we certify that the Company has complied with the said conditions of Corporate Governance as stipulated in the above mentioned listing agreements.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Salem
May 30, 2012



Auditors' Report to the Members

1. We have audited the attached Balance Sheet of **Sambandam Spinning Mills Limited** (the Company) as at March 31, 2012, the Statement of Profit and loss and the Cash Flow Statement for the year ended on that date, both annexed thereto, (collectively referred to as the financial statements), signed by us under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing and assurance standards generally accepted in India. The said Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
4. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books.
5. The financial statements dealt with by this report are in agreement with the books of account.
6. In our opinion, the aforesaid financial statements comply in all material respects with the applicable Accounting Standards referred to in section 211(3C) of the Companies Act, 1956 (the Act).
7. On the basis of written representation received from the directors as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is prima facie disqualified as on March 31, 2012 from being appointed as a director in terms of section 274(1)(g) of the Act.
8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements read with the Statement on Significant Accounting Policies and Notes to the Accounts, give the information required by the Act, in the manner so required and also give a true and fair view, in conformity with the accounting principles generally accepted in India:
 - 8.1 in the case of the Balance sheet, of the state of affairs of the Company as at March 31, 2012;
 - 8.2 in the case of the Statement of Profit and loss, of the loss for the year ended on that date; and
 - 8.3 in the case of the Cash flow statement, of the cash flows for the year ended on that date.
9. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Government of India in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations furnished, it is reported that:
 - 9.1 the company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. These fixed assets are being physically verified by the management under a phased programme of verification, which, in our opinion, is reasonable having regard to the nature and value of its fixed assets. However no material discrepancies have been noticed on such verification. The company has not disposed off substantial part of its fixed assets during the year.
 - 9.2 physical verification of inventory has been conducted at reasonable intervals by the management. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. The company is maintaining proper records of its inventories and no material discrepancies were noticed on such physical verification.
 - 9.3 the company has neither granted nor taken any loans, secured or unsecured, during the year, to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.
 - 9.4 there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
 - 9.5 (i) the particulars of contracts or arrangements that need to be entered into a register under section 301 of the Act have been entered.



- (ii) in our opinion, each of the transactions exceeding the value of Rs.5,00,000 pursuant to the aforesaid contracts/arrangement have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 9.6 the company has complied with the provisions of sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 1975 with regard to deposits accepted from public.
- 9.7 the company has an internal audit system commensurate with its size and nature of its business.
- 9.8 on the basis of the records produced, we are of the opinion that prima facie, the cost records as per the Companies (Cost Accounting Records) Rules,2011 prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 have been maintained by the company. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- 9.9 (i) the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities during the year.
- (ii) no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at the balance sheet date for a period of more than six months from the date they became payable.
- (iii) There are no dues of Income tax/wealth tax, customs duty which have not been deposited on account of any dispute. Details of dues towards excise duty, service tax and sales tax that have not been deposited on account of any dispute, for which stay has been obtained, are (Nature of dues, dues, forum where dispute is pending) – Excise duty, Rs.84,65,342, Customs, Excise and Service tax Appellate Tribunal; Service tax, Rs.8,05,696, Customs, Excise and Service tax Appellate Tribunal; Sales tax, Rs.6,52,044, Deputy Commissioner of Commercial Taxes.
- 9.10 the company does not have any accumulated losses as at March 31, 2011 and has incurred cash loss of Rs.10,43,45,060 during the financial year ended March 31, 2012 and has not incurred any cash losses in the immediately preceding financial year.
- 9.11 the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders during the year.
- 9.12 the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
- 9.13 the provisions of any special statute applicable to a chit fund, nidhi, mutual benefit fund/societies are not applicable to the Company.
- 9.14 the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the CARO are not applicable to the company.
- 9.15 the company has not given any guarantees for loans taken by others from banks or financial institutions.
- 9.16 the term loans availed by the company during the year, were, prima facie, applied for the purpose for which they were obtained.
- 9.17 based on an overall examination of the financial statements of the company, funds raised on short-term basis have, prima facie, not been used for long term investment.
- 9.18 the company has not made any preferential allotment of shares during the year to any party.
- 9.19 the company has not issued any debentures during the year.
- 9.20 the company has not raised any money by public issues during the year.
- 9.21 considering the size and nature of the company's operations, no fraud of material significance on or by the company has been noticed or reported during the year.

Salem
May 30, 2012

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

Sambandam Spinning Mills Limited



Balance sheet as at March 31, 2012			As at March 31, 2012	As at March 31, 2011
Particulars	Note No.	Rupees	Rupees	Rupees
EQUITY AND LIABILITIES				
Shareholders' funds				
Share capital	1.1	4,27,55,000		4,27,55,000
Reserves and surplus	1.2	54,77,57,312		69,66,96,706
			59,05,12,312	73,94,51,706
Non-current liabilities				
Long-term borrowings	1.3	70,69,06,772		88,94,63,338
Deferred tax liabilities (Net)	1.4	21,91,78,107		29,11,78,107
Other long-term liabilities	1.5	21,99,000		21,99,000
Long-term provisions	1.6	1,81,10,857		1,75,04,890
			94,63,94,736	120,03,45,335
Current liabilities				
Short-term borrowings	1.7	58,98,38,854		77,85,82,709
Trade payables	1.8	13,32,47,857		33,92,81,067
Other current liabilities	1.9	23,81,14,266		27,47,34,522
Short-term provisions	1.10	4,75,250		1,04,32,779
			96,16,76,227	140,30,31,077
	TOTAL		249,85,83,275	334,28,28,118
ASSETS				
Non-current assets				
Fixed assets				
Tangible assets	1.11	166,91,58,356		176,91,05,513
Intangible assets	1.12	64,27,892		97,81,575
Capital work-in-progress	1.11	14,60,072		11,66,925
		167,70,46,320		178,00,54,013
Non-current investments	1.13	2,10,35,272		2,10,35,272
Long-term loans and advances	1.14	13,46,72,208		11,37,53,939
Other non-current assets	1.15	93,347		1,92,741
			183,28,47,147	191,50,35,965
Current assets				
Inventories	1.16	21,69,69,449		101,93,55,248
Trade receivables	1.17	24,38,92,567		32,70,42,672
Cash and cash equivalents	1.18	16,92,66,324		2,48,82,558
Short-term loans and advances	1.19	1,45,51,178		2,01,22,693
Other current assets	1.20	2,10,56,610		3,63,88,982
			66,57,36,128	142,77,92,153
	TOTAL		249,85,83,275	334,28,28,118
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 and on behalf of the Board		
For M.S. Krishnaswami & Rajan		S. Devarajan		S. Dinakaran
Chartered Accountants		Chairman and Managing Director		Joint Managing Director
Registration No.01554S				
M.K. Rajan-Partner		R.S. Shanmugam		
Salem		Company Secretary		
May 30, 2012		and Chief Financial Officer		

Sambandam Spinning Mills Limited



Statement of Profit and Loss for the year ended March 31, 2012

Particulars	Note No.	For the year ended March 31, 2012		For the year ended March 31, 2011
		Rupees	Rupees	Rupees
Income				
Revenue from operations	2.1	186,79,18,115		207,12,67,968
Other income	2.2	43,68,471		34,15,551
Total Revenue			187,22,86,586	207,46,83,519
Expenses				
Cost of materials consumed	2.3	120,85,15,876		123,40,20,203
Changes in inventories of finished goods and stock-in-trade	2.4	14,18,54,988		(12,89,23,501)
		135,03,70,864		110,50,96,702
Employee benefits expense	2.5	15,32,40,263		15,94,23,639
Finance costs	2.6	18,02,45,150		14,38,65,594
Depreciation and amortization expense	2.7	11,20,34,209		11,14,48,666
Other expenses	2.8	29,27,75,369		36,27,53,368
Total Expenses			208,86,65,855	188,25,87,969
Profit/(Loss) before tax				
Tax expense:			-21,63,79,269	19,20,95,550
Current tax		-		-
Deferred tax/(withdrawal)		-7,20,00,000		6,65,00,000
			-7,20,00,000	6,65,00,000
Profit/(Loss) for the year after tax			-14,43,79,269	12,55,95,550
Earnings per Equity share (Face value Rs.10)				
Basic and Diluted (in Rs.)			(33.86)	29.45

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

Registration No.01554S

M.K. Rajan-Partner

Salem

May 30, 2012

For and on behalf of the Board

S. Devarajan

Chairman and Managing Director

S. Dinakaran

Joint Managing Director

R.S. Shanmugam

Company Secretary
and Chief Financial Officer

Sambandam Spinning Mills Limited



Cash Flow Statement for the year ended March 31, 2012

	As at March 31, 2012 Rupees	As at March 31, 2011 Rupees
1. Cash flows from operating activities		
1.1 Profit/(loss) before tax and exceptional item	-21,63,79,269	19,20,95,550
1.2 Adjustment for		
Depreciation and amortisation	11,20,34,209	11,14,48,666
Deferred revenue expenditure - amortised	99,394	5,45,274
- incurred		
Amortisation of cost of structures on leasehold land	3,25,398	3,25,398
Unrealised foreign exchange losses/(gains)	0	-38,48,293
Amount considered under investing activities		
(Profit)/Loss on disposal of assets	-81,889	-4,53,285
Income from investments	-1,00,740	-1,00,550
Amount considered under financing activities		
Interest paid	17,29,60,017	13,51,09,158
Interest received	-31,65,096	-25,91,678
1.3 Operating profit before working capital changes	6,56,92,024	43,25,30,240
1.4 Adjustment for changes in		
Increase / (Decrease) in trade payables	-20,60,33,210	16,59,04,653
Increase / (Decrease) in long term provisions	6,05,967	-13,57,922
Increase / (Decrease) in short term provisions	-44,680	-41,670
Increase / (Decrease) in other current liabilities	-3,55,73,259	4,40,43,536
Decrease / (Increase) in trade receivables	8,31,50,105	-18,35,56,025
Decrease / (Increase) in inventories	80,23,85,799	-52,88,72,811
Decrease / (Increase) in long term advances	-1,99,03,597	13,88,839
Decrease / (Increase) in short term advances	55,71,515	1,67,55,054
Decrease / (Increase) in other current assets	1,53,32,372	-99,087
1.5 Cash generated from operating activities	71,11,83,036	-5,33,05,193
1.6 Income tax paid/(rufunded)	-37,50,263	-3,71,06,400
Net cash flow from operating activities before exceptional items	70,74,32,773	-9,04,11,593
Exceptional items	0	0
Net cash flow from operating activities [A]	70,74,32,773	-9,04,11,593

Sambandam Spinning Mills Limited



Cash Flow Statement for the year ended March 31, 2012 (Contd.)	As at March 31, 2012 Rupees	As at March 31, 2011 Rupees
2. Cash flows from investing activities		
2.1 Purchase of tangible assets, intangible assets, CWIP and capital advances	-1,47,87,595	-4,93,50,915
2.2 Proceeds from sale of tangible assets	7,54,808	4,53,285
2.3 Refund of terminal excise duty	29,38,229	61,37,531
2.4 Investment in equity shares		
2.5 Interest received	31,65,096	25,91,678
2.6 Dividend received	1,00,740	1,00,550
2.7 Changes in Advances (Net)		
Net cash flow used in investing activities [B]	<u>-78,28,722</u>	<u>-4,00,67,871</u>
3. Cash flow from financing activities		
3.1 Proceeds from long term borrowings	21,30,000	4,24,94,480
3.2 Repayments of long term borrowings	-18,56,34,046	-12,58,39,049
3.3 Proceeds from short term borrowings	10,00,00,000	24,40,25,565
3.4 Repayments of short term borrowings	-24,40,26,565	-6,66,00,000
3.5 Interest paid - Net	-17,29,60,017	-13,51,09,158
3.6 Dividend paid on equity shares	-85,29,200	-85,29,200
3.7 Dividend Tax paid on equity dividend paid	-13,83,649	-14,16,594
Net cash flow from financing activities [C]	<u>-51,04,03,477</u>	<u>-509,73,956</u>
Net cash inflow / (outflow) [A+B+C]	<u>18,92,00,574</u>	<u>-18,14,53,420</u>
Opening cash and cash equivalents	-51,13,88,746	-32,99,35,326
Closing cash and cash equivalents	-32,21,88,172	-51,13,88,746
Net increase / (decrease) in cash and cash equivalents	<u>18,92,00,574</u>	<u>-18,14,53,420</u>
Notes to the cash flow statement		
Components of cash and cash equivalents:		
Cash and bank balances, cash credit excluding those relating to unclaimed dividend	-32,21,88,172	-51,13,88,746
Unrealised foreign exchange losses/(gains)	<u>0</u>	<u>0</u>
	<u>-32,21,88,172</u>	<u>-51,13,88,746</u>
Per our report of even date For M.S. Krishnaswami & Rajan Chartered Accountants Registration No.01554S M.K. Rajan-Partner Salem May 30, 2012	For and on behalf of the Board S. Devarajan Chairman and Managing Director	S. Dinakaran Joint Managing Director R.S. Shanmugam Company Secretary and Chief Financial Officer



Statement on Significant Accounting Policies forming part of the Financial Statements for the year ended March 31, 2012

1. Basis of preparation of financial statements - The financial statements are prepared in accordance with the generally accepted accounting principles including accounting standards in India under historical cost convention except in so far as they relate to revaluation of net assets.

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, 2012 (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.

Sambandam Spinning Mills Limited



Notes annexed to and forming part of the Financial Statements (Balance Sheet)					As at March 31, 2012	As at March 31, 2011	
					Rupees	Rupees	
1.1 Share Capital							
Authorised							
50,00,000 (2011 : 50,00,000) Equity shares of Rs.10 each					5,00,00,000	5,00,00,000	
Issued							
42,86,400 (2011 : 42,86,400) Equity shares of Rs.10 each					4,28,64,000	4,28,64,000	
Subscribed							
42,64,600 (2011 : 42,64,600) Equity shares of Rs.10 each fully paid					4,26,46,000	4,26,46,000	
Add : Forfeited shares (amount originally paid up on 21,800 shares)					1,09,000	1,09,000	
Notes :					4,27,55,000	4,27,55,000	
1. Shareholders holding more than 5% of the total share capital:							
Name of the shareholder	2011-12		2010-11		Name of the shareholder	2010-11	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares
S. Jegarajan	4,25,846	9.99	4,25,846	9.99	S. Devarajan	3,88,674	9.11
S. Dinakaran	3,44,879	8.09	3,44,879	8.09	A.G. Venkatesan	2,75,790	6.47
2. Rights and restrictions in respect of equity shares	The rights, preferences and restrictions of holders of Equity shares are governed by / in terms of their issue under the provisions of the Companies Act, 1956.						
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					29,26,87,615	29,64,52,016	
Transfer to Statement of Profit and Loss (refer Note No 3.16 to the Financial Statements)					37,64,401	37,64,401	
As at the end of the year					28,89,23,214	29,26,87,615	
c) Cenvat credit relating to capital assets							
As at the beginning of the year					19,83,383	32,50,793	
Transfer to Statement of Profit and Loss					7,95,724	12,67,410	
As at the end of the year					11,87,659	19,83,383	
d) General Reserve							
As at the beginning of the year					34,00,00,000	24,00,00,000	
Transfer from Statement of Profit and Loss					—	10,00,00,000	
As at the end of the year					34,00,00,000	34,00,00,000	
e) Surplus/(Deficit) - balance in Statement of Profit and Loss							
As at the beginning of the year					81,16,644	23,79,737	
Current year profit/(loss)					-14,43,79,269	12,55,95,550	
Transfer to General Reserve					—	10,00,00,000	
Interim dividend paid - Rs. Nil (2011 : Rs.2) per share					—	85,29,200	
Proposed Dividend - Rs.Nil (2011 : Rs.2) per share					—	85,29,200	
Corporate dividend tax thereon					—	28,00,243	
As at the end of the year					-13,62,62,625	81,16,644	
1.3 Long term borrowings					54,77,57,312	69,66,96,706	
Secured - Term loans from banks					66,34,45,772	83,64,97,338	
Unsecured - Fixed deposits					4,34,61,000	5,29,66,000	
Notes :					70,69,06,772	88,94,63,338	
i) Refer note no.3.17 to the Financial Statements for the terms of the loans							
ii) Fixed deposits includes deposits from directors Rs.7,15,000 (2011 : Rs.7,15,000)							

Sambandam Spinning Mills Limited


Notes annexed to and forming part of the Financial Statements (Balance Sheet Contd..)	As at March 31, 2012 Rupees	As at March 31, 2011 Rupees
1.4 Deferred tax liabilities (net) :		
Deferred tax liabilities- Timing differences on account of depreciation	28,80,85,106	29,71,14,435
Deferred tax assets		
- Unabsorbed tax depreciation and loss	6,28,91,025	—
- Provision for employees benefit	60,15,974	59,36,328
	21,91,78,107	29,11,78,107
1.5 Other long term liabilities		
Security deposits	21,99,000	21,99,000
	21,99,000	21,99,000
1.6 Long term provisions		
Provision for employee benefits Compensated absences	1,81,10,857	1,75,04,890
	1,81,10,857	1,75,04,890
1.7 Short term borrowings - Secured from banks		
Cash credit facilities	48,98,38,854	53,45,56,144
Good Loan Facilities	5,00,00,000	10,00,00,000
Buyer's credit facilities	-	4,94,26,565
Short term loan	5,00,00,000	9,46,00,000
Notes :	58,98,38,854	77,85,82,709
Refer Note No.3.17 to the Financial Statements for the terms of the loans		
1.8 Trade payables		
Micro, Small and Medium enterprises	1,84,862	1,09,985
Other trade payables	13,30,62,995	33,91,71,082
1.9 Other current liabilities	13,32,47,857	33,92,81,067
Current maturities of Long term debts	19,60,56,730	19,70,04,210
Interest accrued but not due on borrowings	—	1,47,575
Interest accrued and due on borrowings	1,42,84,406	1,44,54,051
Unclaimed dividends	16,15,642	17,15,160
Other payables	2,61,57,488	6,14,13,526
Notes :	23,81,14,266	27,47,34,522
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	1,29,06,302	49,83,211
- capital creditors	22,39,678	13,16,000
- advance from customers	38,03,070	4,69,47,508
- sales tax payable	52,17,004	61,18,560
1.10 Short term provisions		
Provision for employee benefits: Compensated absences	4,75,250	5,19,930
Others : Proposed dividend	-	85,29,200
Corporate dividend tax on proposed dividend	-	13,83,649
	4,75,250	104,32,779



Notes annexed to and forming part of the Financial Statements (Balance Sheet Contd..)											
(Rupees)											
Description	Gross block (Cost/valuation)						Depreciation/amortisation/impairment			NET BLOCK	
	As on 01.04.2011	Additions	Deductions	As on 31.03.2012	Upto 31.03.2011	Charge during the year	Deductions/ Adjustments	Upto 31.03.2012	As on 31.03.2012	As on 31.03.2011	
Land - freehold	23,25,01,000	-	-	23,25,01,000	-	-	-	-	23,25,01,000	23,25,01,000	
Buildings	44,25,03,068	73,02,325	-	44,98,05,393	7,73,69,205	1,42,87,357	-	9,16,56,562	35,81,48,831	36,51,33,863	
Structures on lease hold land	32,53,863	-	-	32,53,863	16,26,942	3,25,397	-	19,52,339	13,01,524	16,26,921	
Plant and machinery	157,30,94,975	56,43,600	29,38,229	157,58,00,346	73,59,37,979	6,53,35,426	-	80,12,73,405	77,45,26,941	83,71,56,996	
Wind energy converters	60,46,63,900	-	-	60,46,63,900	28,36,82,706	3,13,98,132	-	31,50,80,838	28,95,83,062	32,09,81,194	
Furniture and fittings	17,16,034	4,96,656	-	22,12,690	7,18,454	1,00,542	-	8,18,996	13,93,694	9,97,580	
Vehicles	1,85,69,459	37,87,458	12,49,007	2,11,07,910	97,81,652	17,11,192	5,76,088	1,09,16,756	1,01,91,154	87,87,807	
Office Equipment	51,83,018	-	-	51,83,018	32,95,106	4,08,002	-	37,03,108	14,79,910	18,87,912	
Live stock	32,240	-	-	32,240	-	-	-	-	32,240	32,240	
SUB TOTAL	288,15,17,557	1,72,30,039	41,87,236	289,45,60,360	111,24,12,044	11,35,66,048	5,76,088	122,54,02,004	166,91,58,356	176,91,05,513	
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	-	-	-	-	-	7,95,724	-	-	-	-	
TOTAL	288,15,17,557	1,72,30,039	41,87,236	289,45,60,360	111,24,12,044	10,86,80,526	5,76,088	122,54,02,004	166,91,58,356	176,91,05,513	
Previous year	282,59,98,303	6,41,92,185	86,72,931	288,15,17,557	100,14,95,252	11,34,52,193	25,35,400	111,24,12,045	176,91,05,513	182,45,03,051	
Capital work in progress	-	-	-	14,60,072	-	-	-	-	14,60,072	11,66,925	
Previous year	-	-	-	11,66,925	-	-	-	-	11,66,925	1,05,30,557	

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) Deductions under plant and machinery includes refund of terminal excise duty under Export Promotion Capital Goods Scheme, of Rs.29,38,229 (2011 : Rs.61,37,531)

iii) Borrowing cost capitalised - 2012 Rs. Nil (2011 Rs. Nil)



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

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

Description	Gross block (Cost/valuation)			Depreciation/amortisation/impairment			NET BLOCK			
	As on 01.04.2011	Additions	Deductions	As on 31.03.2012	Upto 31.03.2011	Charge during the year	Disposal /Adjustments	Upto 31.03.2012	As on 31.03.2012	As on 31.03.2011
Computer software - acquired	1,67,68,414	-	-	1,67,68,414	69,86,839	33,53,683	-	1,03,40,522	64,27,892	97,81,575
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	2,05,31,838	33,53,683	-	2,38,85,522	64,27,892	97,81,575
Previous year	3,03,13,414	-	-	3,03,13,414	1,71,78,156	33,53,682	-	2,05,31,838	97,81,575	1,31,35,258
Capital work in progress	-	-	-	-	-	-	-	-	-	-
Previous year	-	-	-	-	-	-	-	-	-	-

Notes : Borrowing cost capitalised - 2012 Rs. Nil
(2011 Rs. Nil)

Sambandam Spinning Mills Limited


Notes annexed to and forming part of the Financial Statements (Balance Sheet Contd..)	As at March 31, 2012 Rupees	As at March 31, 2011 Rupees
1.18 Cash and cash equivalents		
Balances with banks in Current account	15,22,08,099	24,38,122
Cash on hand	21,56,023	20,84,960
Earmarked balances with Banks - Unclaimed dividend accounts	16,15,642	17,15,160
- Liquid assets deposits *	48,16,852	46,00,000
*under Companies (Acceptance of Deposits) Rules, 1975		
Deposits with Banks held as margin money	84,69,708	1,40,44,316
Of the above, Bank deposits with more than 12 months maturities Rs.85,15,828 (2011 Rs.89,94,591)	16,92,66,324	2,48,82,558
1.19 Short-term loans and advances		
Unsecured, considered good		
Material advances	66,57,810	80,25,526
Employee advances	14,61,448	11,26,849
Other receivables	64,31,920	1,09,70,318
Of the above,	1,45,51,178	2,01,22,693
Other receivables include :		
- VAT credit	5,99,555	8,16,984
- Prepaid expenses	41,05,672	43,08,691
1.20 Other current assets		
Interest accrued on deposits	11,56,689	18,80,994
Interest subsidy receivable	1,89,70,768	3,42,06,875
Export incentive receivable	8,29,759	1,52,455
Unamortised loan raising expenses	99,394	1,48,658
	2,10,56,610	3,63,88,982
Notes annexed to and forming part of the Financial Statements (Profit and Loss Account)	For the year ended March 31, 2012 Rupees	For the year ended March 31, 2011 Rupees
2.1 Revenue from operations		
Sale of products		
Yarn	173,45,49,751	194,33,73,067
Process waste	11,48,25,290	11,00,52,869
Power generated by wind energy converters (net of captive consumption)	1,26,49,836	1,36,37,972
	186,20,24,877	206,70,63,908

Sambandam Spinning Mills Limited


Notes annexed to and forming part of the Financial Statements (Profit and Loss Account contd.)	For the year ended	
	March 31, 2012	March 31, 2011
	Rupees	Rupees
Revenue from services		
Yarn testing charges	12,45,985	14,25,118
Yarn conversion charges	19,88,075	7,77,242
Other operating revenues		
Scrap sales	16,76,988	21,62,290
Export incentives	13,57,358	-8,493
	186,82,93,283	207,14,20,065
Less Trade rebate and discounts	3,75,168	1,52,097
	186,79,18,115	207,12,67,968
2.2 Other income		
Interest income from		
Security deposits and bank deposits	29,74,992	25,58,855
Others	1,90,104	32,823
Dividend income from Non-current investments	1,00,740	1,00,550
Other non-operating income		
Profit on sale of assets	81,889	4,53,285
Net gain on foreign currency transactions and translations	10,20,746	2,70,038
	43,68,471	34,15,551
2.3 Cost of materials consumed		
Cotton	120,61,75,569	123,37,98,143
Others	23,40,307	2,22,060
Of the above	120,85,15,876	123,40,20,203
Imported items - Amount	1,06,00,149	6,34,32,698
- Percentage	0.88	5.14
Indigenous items - Amount	120,85,15,876	117,05,87,505
- Percentage	99.12	94.86
2.4 Changes in Inventories of finished goods and work-in-progress		
Work-in-progress	-187,90,088	1,33,10,878
Finished goods	16,06,45,076	-14,22,34,379
Net change in inventories	14,18,54,988	-12,89,23,501
2.5 Employee benefits expense		
Salaries, wages and bonus	12,99,64,196	13,98,40,800
Contribution to provident, gratuity and other funds	1,42,52,009	1,10,30,979
Welfare expenses	90,24,058	85,51,860
	15,32,40,263	15,94,23,639
2.6 Finance costs		
Interest	17,29,60,017	13,51,09,158
Other borrowing costs	72,85,133	87,56,436
	18,02,45,150	14,38,65,594
Other borrowing costs include amortisation on :		
Loan raising expenses	1,48,658	5,45,274
Premium on forward contracts	62,85,133	79,76,436

Sambandam Spinning Mills Limited



Notes annexed to and forming part of the Financial Statements (Profit and Loss Account contd.)		For the year ended March 31, 2012	For the year ended March 31, 2011
		Rupees	Rupees
2.7	Depreciation and amortisation expense		
	Tangible assets		
	Buildings	1,42,87,357	1,42,66,702
	Plant and machinery	6,45,39,702	6,40,41,552
	Wind energy converters	3,13,98,132	3,13,98,127
	Furniture and fittings	1,00,542	91,091
	Office equipments	4,08,002	3,97,545
	Vehicles	17,11,192	16,64,367
		<u>11,24,44,927</u>	<u>11,18,59,384</u>
	Less Transfer from revaluation reserve	37,64,401	37,64,401
	Total depreciation on tangible assets (A)	<u>10,86,80,526</u>	<u>10,80,94,983</u>
	Intangible assets		
	Computer software - acquired	33,53,683	33,53,683
	Total depreciation on intangible assets (B)	<u>33,53,683</u>	<u>33,53,683</u>
	Grand total (A + B)	<u>11,20,34,209</u>	<u>11,14,48,666</u>
2.8	Other expenses		
	Conversion charges	70,16,162	55,70,771
	Consumption of stores and spares	3,32,53,265	4,18,95,494
	Power and fuel-net	16,50,96,133	21,47,83,778
	Rent	4,39,204	3,34,150
	Repairs and maintenance - Buildings	11,53,832	16,82,372
	- Plant and machinery	2,19,20,543	2,05,25,786
	Insurance	11,08,681	12,61,283
	Rates and taxes	28,70,451	11,39,590
	Packing and forwarding chages	1,77,39,029	1,86,68,537
	Brokerage and commission on sales	1,65,14,898	1,86,85,968
	Travel and vehicle upkeep expenses	1,08,08,468	92,11,396
	Donation and charity	11,90,000	50,14,600
	Premium on hank yarn obligation charges	16,06,898	61,40,837
	Directors' sitting fees	6,40,000	3,95,000
	Bad debts written off	1,61,793	12,88,018
	Bank and other financial charges	33,18,335	72,90,039
	Miscellaneous expenses	79,37,677	88,65,749
		<u>29,27,75,369</u>	<u>36,27,53,368</u>



3. Notes annexed to and forming part of the Financial Statements	March 31, 2012	March 31, 2011
3.1 Information regarding Imports (c.i.f)	Rupees	Rupees
Raw materials	—	6,69,96,544
Machinery spares	32,43,233	74,21,392
Capital goods	—	1,23,41,599
3.2 Foreign currency transactions and other financial information		
(i) Expenditure in foreign currency		
Interest	57,45,758	70,40,800
Travel	6,13,749	1,40,112
(ii) Earnings in foreign currency		
Export of goods (FOB value)	5,82,26,025	1,35,78,367
Others (freight recoveries)	4,68,659	3,43,298
(iii) Remittance of dividend to Non-Resident Shareholders	—	—
3.3 Auditors's remuneration (included under Miscellaneous expenses (refer Note 2.8 to the Financial statements))		
(i) For financial audit	3,50,000	3,50,000
(ii) For cost audit	1,00,000	44,000
(iii) For taxation matters	1,65,000	1,55,000
(iv) For other services	1,78,000	1,08,000
(v) For reimbursement of expenses	87,606	1,20,002
3.4 Contingent liabilities		
(i) Claims against the company not acknowledged as debts	3,92,50,691	3,36,24,998
(ii) Guarantees	96,66,200	96,66,200
(ii) Bills discounted with banks	20,75,857	4,37,29,637
Out flow relating to above not practicable to indicate in view uncertainties involved		
3.5 Capital commitments not provided for (net of advances)	9,85,36,341	10,71,47,366
3.6 Earnings per share		
Profit/(Loss) after taxation as per Statement of Profit and Loss (A)	(14,43,79,269)	12,55,95,550
Number of equity shares outstanding (B)	42,64,600	42,64,600
Basic and Diluted earnings per share (in Rupees) – Basic (A/B)	(33.86)	29.45
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	S. Palaniandi Mudaliar Charitable Trust and Sambandam Spinning Mills Gratuity Trust	



Notes annexed to and forming part of the Financial Statements (contd.)	March 31, 2012	March 31, 2011
	Rupees	Rupees
(ii) Transactions with related parties		
(1) Key management personnel		
- Interest payment	40,265	40,625
- Dividend payment	7,48,848	7,48,848
- Remuneration	36,00,000	36,00,000
- Outstanding balances under Fixed deposits	3,61,564	3,61,562
(2) Parties where significant influence exists		
S. Palaniandi Mudaliar Charitable trust		
- Payments for employee welfare services	5,47,654	2,52,085
- Contribution paid	—	50,00,000
Sambandam Spinning Mills Gratuity trust		
- Contribution paid/payable	79,23,091	49,83,211
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 to 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. 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, 2011 US \$ 15,32,060) as at March 31, 2012 and has a net unhedged exposure of US \$ Nil (March 31, 2011 US\$5,76,159).		
3.12 Raw material consumed – others include consumption of yarn for manufacture of double yarn.		
3.13 Power and fuel are (i) net of value of power generated by Wind energy converters Rs.7,87,59,616 (2010-11 Rs.8,02,95,274); (ii) net of income by way of carbon credit of Rs.Nil (2010-11 Rs.50,28,883); and (ii) after reckoning the reversal of carbon credit accrued in prior years of Rs.50,28,883 (2010-11 Rs.2,17,83,937), as a measure of abundant caution, due to (a) rejection of claim for the credit by concerned sanctioning authorities and (b) inordinate delay in issue of validation report even after completion of inspection and documentation.		
3.14 Repairs to buildings include amortization of cost of structures on leasehold land of Rs.3,25,398 (2010-11 Rs.3,25,398).		
3.15 Human resources – Particulars of managerial remuneration (i) To Managing Director – Salary Rs.21,60,000 (2010-11 Rs.21,60,000), Perquisites Rs.14,40,000 (2010-11 Rs.14,40,000); and (ii) To Joint Managing Directors – Salary Rs.24,00,000 (2010-11 Rs.24,00,000), Perquisites Rs.12,00,000 (2010-11 Rs.12,00,000).		
3.16 Depreciation/amortisation – (i) Amortised cenvat credit of Rs.7,95,724 (2010-11 Rs.12,67,410) 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 (2010-11 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 :		Notes annexed to and forming part of the Financial Statements (contd.)							
		As on March 31, 2012			As on March 31, 2011				
Bank Name	Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %	Particulars of Repayment	Non Current Rupees	Current Rupees	Total Rupees	Rate of Interest %
a. Secured Loans:									
i) Term loans from Banks									
Central Bank of India	2,12,50,000	1,00,00,000	3,12,50,000	13.50	8 quarterly instalments of Rs.25 lakhs and 4 quarterly instalments of Rs.28.13 lakhs each	3,12,50,000	1,00,00,000	4,12,50,000	12.25
Indian Overseas Bank	3,42,00,000	1,20,00,000	4,62,00,000	13.50	45 monthly instalments of Rs.10 lakhs each and 1 monthly instalment of Rs.12 lakhs	4,62,00,000	1,20,00,000	5,82,00,000	11.75
Slate Bank of India TL 1	—	—	—	—	Totally repaid in 2010-11	—	3,91,25,000	3,91,25,000	12.65
Slate Bank of India Term Loan 2	5,58,00,000	1,80,00,000	7,38,00,000	14.90	24 monthly instalments of Rs.15 lakhs, 11 monthly instalments of Rs.30 lakhs each and 1 monthly instalment of Rs.48 lakhs	7,38,00,000	60,00,000	7,98,00,000	13.15
Slate Bank of India Term Loan 3	22,68,00,030	3,00,00,000	25,68,00,030	14.90	12 monthly instalments of Rs.25 lakhs each, 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	25,68,00,030	240,00,000	28,08,00,030	13.15
Slate Bank of India Term Loan 4	3,92,00,000	1,44,00,000	5,36,00,000	14.90	24 monthly instalment of Rs.12 lakhs and 11 monthly instalment of Rs.20 lakhs each and 1 monthly instalment of Rs. 28 lakhs	5,36,00,000	1,20,00,000	6,56,00,000	13.15
Karnataka Bank Term Loan 1	13,37,38,093	2,08,00,000	15,45,38,093	14.00	8 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 1 quarterly instalment of Rs.77.38 lakhs	15,45,38,093	2,08,00,000	17,53,38,093	13.00
Karnataka Bank Ltd. Term Loan 2	6,41,25,000	1,20,00,000	7,61,25,000	14.00	12 quarterly instalments of Rs.30 lakhs and 3 quarterly instalments of Rs.100 lakhs each and one quarterly instalment of Rs.101.25 lakhs	7,61,25,000	60,00,000	8,21,25,000	13.00
Karnataka Bank Ltd. Term Loan 3	4,70,00,000	5,00,00,000	9,70,00,000	14.00	7 quarterly instalments of Rs.125 lakhs each and 1 quarterly instalment of Rs.95 lakhs	9,70,00,000	4,00,00,000	13,70,00,000	13.00
IDBI Bank Ltd. Term loan	4,01,75,000	64,50,000	4,66,25,000	14.25	4 quarterly instalments of Rs.15 lakhs each, 1 monthly instalment of Rs.19.50 lakhs, 7 quarterly instalments of Rs.19.50 lakhs each, 1 monthly instalment of Rs.25 lakhs, 8 quarterly instalments of Rs.25 lakhs each and 1 monthly instalment of Rs.25.25 lakhs	4,66,25,000	45,00,000	5,11,25,000	13.00
HDFC Bank bus loan	—	3,22,778	3,22,778	10.25	8 monthly instalments	5,59,215	3,22,778	8,81,993	10.25
HDFC Bank bus loan	8,56,906	5,48,568	14,05,474	10.25	31 monthly instalments	—	—	—	—
Federal Bank car loan	3,00,743	1,65,384	4,66,127	10.71	31 monthly instalments	—	—	—	—



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

	23,91,99,315	14,69,68,111	94,13,911	9,42,57,517	5,00,00,000	5,00,00,000	76,45,25,584	142,79,71,356	23,91,99,315	14,69,68,111	94,13,911	9,42,57,517	5,00,00,000	5,00,00,000	83,64,97,338	95,33,30,487	178,98,27,825
ii) Cash credit from banks																	
State Bank of India									On demand	13.50							13.15
Karnataka Bank Ltd.									On demand	13.00							12.75
Axix Bank Ltd.									On demand	12.75							11.50
Canara Bank									On demand	13.50							12.75
iii) Short term loan from banks																	
Goods loan from Karnataka Bank Ltd.									Repayable on September 30, 2012	14.00							13.00
Buyers credit loan (FC)									Repayable on May 3, 2012	14.50							2.20
IDBI Bank Ltd. - STL																	13.50
Karnataka Bank FCDL																	6.96
TOTAL																	

(i) Term loans from banks aggregating to Rs.68,31,43,744 (March 31, 2011 Rs.80,77,63,123) are secured by a first charge on the Company's immovable and movable properties (excluding book debts) subject to the charge stated in (v) infra. (ii) Term loans from banks to an extent of Rs.15,06,00,000 (March 31, 2011 Rs.20,26,00,000) are secured by a first charge on the Company's wind mills; (iii) Term loans from banks to an extent of Rs.21,94,379 (March 31, 2011 Rs.8,81,993) are secured by hypothecation of certain buses and cars; (iv) Cash credit/short term loan/foreign currency loan/buyers credit facilities are secured by a first charge on the Company's current assets except the stock of cotton pledged for goods loan facility and by a second charge on the Company's immovable and movable properties (other than those covered under the first charge mentioned in (i) supra; (v) Goods loan facilities are secured by pledge of stock of cotton. (vi) All the above loans are guaranteed by four directors.

	4,34,61,000	2,13,70,000	6,48,31,000	11.00 to 12.50	Repayable before 31.3.2013 Rs.213.70 lakhs, before 31.3.2014 Rs.234.01 lakhs and before 31.3.2015 Rs.200.60 lakhs	5,29,66,000	1,86,36,400	7,16,02,400	11.00 to 12.50 Interest free
b. Unsecured Loans:									
Fixed deposits									
Sales tax deferral loan									
TOTAL									

3.18 Employee benefits -

(i) Defined Employee benefit plans - As per Actuarial valuation as on March 31, 2012

	(Rs. lakhs)									
	Gratuity (funded)					Compensated absences (unfunded)				
	2011-12	2010-11	2009-10	2008-09	2007-08	2011-12	2010-11	2009-10	2008-09	2007-08
A. Expenses recognised in the statement of profit and Loss Account for the year ended Mar 31, 2012										
(i) Current service cost	22.36	23.99	20.86	20.85	17.86	1.19	1.19	1.19	1.35	1.78
(ii) interest cost	21.76	20.82	19.72	16.17	13.94	14.00	13.51	11.63	10.89	0.75
(iii) Expected return on plan assets	-20.47	-19.53	-18.69	-13.68	-12.48	—	—	—	—	—
(iv) Net actuarial(gain)/loss recognised during the year	55.58	24.55	14.45	37.77	16.78	-9.14	-8.53	3.54	7.33	1.35
Total expenses	79.23	49.83	36.34	61.11	36.10	6.06	6.17	16.36	19.57	3.88



3.18 Employee benefits - Notes annexed to and forming part of the Financial Statements (contd.)
(i) Defined Employee benefit plans - As per Actuarial valuation as on March 31, 2012

	Gratuity (funded)						Compensated absences (unfunded)					
	2011-12	2010-11	2009-10	2008-09	2007-08		2011-12	2010-11	2009-10	2008-09	2007-08	
F. Experience adjustments in												
(i) Plan liabilities – loss(gain)	49.03	22.44	10.93	37.85	12.71		-9.14	-8.53	3.54	7.33	1.35	
(ii) Plan assets – loss(gain)	6.55	2.11	3.51	0.09	4.07		-	-	-	-	-	
G. Major categories of plan assets as a percentage of total plan												
(i) Government of India securities	-	4%	4%	15%	24%		Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	
(ii) State Government Securities	-	-	-	12%	4%		-	-	-	-	-	
(iii) High Quality Corporate bonds	-	-	-	10%	10%		-	-	-	-	-	
(iv) Special Deposit Scheme	-	-	-	10%	9%		-	-	-	-	-	
(v) Other (Bank deposits)	-	37%	37%	53%	53%		-	-	-	-	-	
(vi) SBI Life insurance company	100%	59%	59%	0%	0%		-	-	-	-	-	
(vii) Total	100%	100%	100%	100%	100%		-	-	-	-	-	
H. Actuarial Assumptions												
(i) Discount rate	8%	8%	8%	8%	8%		8%	8%	8%	8%	8%	
(ii) Salary escalation rate	5%	5%	5%	6%	4%		5%	5%	5%	6%	4%	
(iii) Attrition rate	5%	5%	5%	1%	1%		5%	5%	5%	1%	1%	
(iv) Expected return on plan assets	8%	8%	8%	9%	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.6,05,967 (2010-11 Rs.6,17,078)
 Contribution to provident, gratuity and other funds include contribution to provident fund and family pension fund contribution of Rs.63,28,918 (2010-11 Rs.60,47,768) and gratuity fund of Rs.79,23,091 (2010-11 Rs.49,83,211).
 Workmen and staff welfare expenses include contribution to employees state insurance of Rs.22,65,296 (2010-11 Rs.24,32,815)

3.19 During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the company, for preparation and presentation of its financial statements. Accordingly the Company has reclassified/regrouped/amended the previous year's figures in accordance with the requirements applicable in the current year.

Signatures to Statement of Accounting Policies and Notes to Financial Statements

Salem,
 May 30, 2012

S. Devarajan
 Chairman and Managing Director

S. Dinakaran
 Joint Managing Director

For and on behalf of the Board

R.S. Shanmugam
 Company Secretary and Chief Financial Officer


BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

I Registration Details

Registration No: 1 8 1 - 0 0 0 6 7 5 State Code: 1 8

Balance Sheet Date: 3 1 - 0 3 - 2 0 1 2

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

Public Issue: N I L

Rights Issue: N I L

Bonus Issue: N I L

Private Placement: N I L

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

2 4 9 8 5 8 3

Sources of Funds

Paid up capital Net 4 2 7 5 5

Reserves and surplus 5 4 7 7 5 7

Long-term borrowings 7 0 6 9 0 7

Other long-term Liabilities 2 1 9 9

Long-term provisions 1 8 1 1 1

Deferred tax liability 2 1 9 1 7 8

Current Liabilities 9 6 1 6 7 6

Total Assets

2 4 9 8 5 8 3

Application of Funds

Net Fixed Assets 1 6 7 7 0 4 7

Investments 2 1 0 3 5

Long-term loans and advances 1 3 4 6 7 2

Other non-current assets 9 3

Current Assets 6 6 5 7 3 6

IV Performance of Company (Rs.'000)

Turnover-net 1 8 7 2 2 8 7

Total expenditure-net 2 0 8 8 6 6 6

Profit(+)/Loss(-) before tax - 2 1 6 3 7 9

Profit(+)/Loss (-)after Tax - 1 4 4 3 7 9

Earnings per share Rs - 3 3 . 8 6

Dividend rate N I L

V Generic Names of Three Principal Products

 Item Code No. 5 2 0 5 (Only one product)
 (ITC Code)

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

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