

Sambandam Spinning Mills Limited



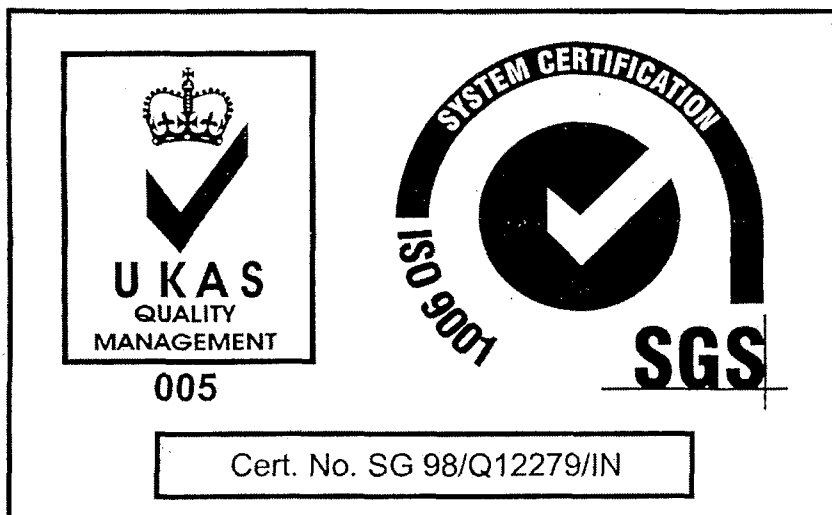
35th
Annual Report
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Certification



**Board of Directors**

S. Devarajan – Chairman and Managing Director
S. Jegarajan – Joint Managing Director
S. Dinakaran – Joint Managing Director
A. G. Venkatesan
D. Sudharsan – Whole time Director
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 Bag No.1
Kamaraj Nagar Colony,
Salem 636 014, Tamil Nadu.

Spinning Plants

Unit I : Kamaraj Nagar Colony,
Salem 636 014
Unit II : Ayeepalayam,
Atharur 636 301 - Salem District
Unit III : Kavarakalpatty, Seshanchavadi Post
Salem 636 111

Wind Energy Converters

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


Significant Information

Rs. lakhs

Particulars	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
1. Fixed assets	19312.39	14921.33	12373.09	7910.98	6364.72	5572.58
2. Net current assets	3965.34	6321.19	5129.27	4960.81	3431.75	2900.43
3. Total capital employed	23562.39	21564.98	17856.12	13226.09	10199.46	8792.16
4. Shareholders' funds	5972.93	3370.96	2925.60	2293.09	1970.45	1691.92
5. No. of shares	42,64,600	42,64,600	42,64,600	42,64,600	42,64,600	42,64,600
6. Net worth per share (Rs.)	140	79	69	54	46	40
7. Turnover – gross	11942.31	12683.86	13057.76	11427.97	9372.42	9081.04
8. Turnover – net	11676.67	12438.06	12805.59	11170.71	9047.60	8437.85
9. Gross profit – PBDIT	1796.42	2604.05	3326.21	2575.87	2123.30	1871.08
10. Profit/(Loss) before tax – PBT	(537.63)	855.76	1308.83	1230.98	1035.13	598.85
11. Profit/(Loss) before tax – PAT	(382.09)	591.76	1121.83	663.38	546.03	327.85
12. Retained earnings	621.22	1284.11	2098.59	1222.33	1054.77	904.99
13. Dividend (%)	—	25	60	65	50	35
14. Earnings per share (Rs.) – Basic	(8.96)	13.88	26.31	15.56	12.80	7.69
15. Installed capacity – Spindles	84,252	73,452	73,452	62,176	62,372	53,540

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

(ii) Net worth per share in 2008-09 is after reckoning revaluation reserve

**CORPORATE GOVERNANCE REPORT****1. Company's philosophy on corporate governance**

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

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

2. Board of directors

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

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49(1)(C) of the Listing Agreement with the Stock Exchanges) across all Companies in India of which he is a Director. All the directors have certified that the disqualifications mentioned under Section 274(1)(g) of the Companies Act, 1956 do not apply to them.

The non executive Directors are entitled to sitting fees for every meeting of the Board or Committee thereof attended by them. The executive directors including the Chairman and Managing Director, are entitled to remuneration as per their terms of appointment and the details of such remuneration received by them are given separately in this Report. The executive directors, including the Chairman and Managing Director, received remuneration upto November 2008 and have waived voluntarily their remuneration from December 2008 to March 2009 in view of the loss for the year.

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 the senior management have adhered to the Code of Conduct of the Company during the year and have signed declarations of compliance to the Code of Conduct. The declaration signed by Sri S. Devarajan, Chairman and Managing Director is given separately in the Annual Report.



Directorship held by existing Directors and shares of the Company held by them as on March 31, 2009 are given below:

Name of the Director	Executive/ Non-Executive/ Independent	No. of other Director ships	Number of Committees of which member*	Number of shares of the Company held as on 31.03.09
Sri S. Devarajan	Chairman and Managing Director	6	3	3,65,241
Sri S. Jegarajan	Joint Managing Director	2	1	4,16,663
Sri S. Dinakaran	Joint Managing Director	4	—	3,35,695
Sri D. Sudharsan	Whole time Director	2	1	77,060
Sri A. G. Venkatesan	Non-Executive	1	2	2,75,790
Sri P. S. Ananthanarayanan	Independent	1	2	—
Sri V. Mahadevan	Independent	3	3	—
Sri V. Gopalan	Independent	2	2	—
Sri N. Asoka	Independent	2	4	1,000

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

Audit Committee

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

Share Transfer Committee

The Share Transfer Committee was constituted to specifically look into the share transfers. Share transfers are effected by the Registrar and Transfer Agent (RTA) Cameo Corporate Services Limited, Chennai, on the authorization given by the Board. The transfers/transmissions effected by the Registrar are submitted to the Share Transfer Committee for confirmation. Sri S. Devarajan, Chairman and Managing Director chairs the meetings of the Committee. Sri S. Jegarajan, an executive Director and Sri A.G. Venkatesan, a 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 was constituted to specifically look into the redressal of investors' complaints/grievances. Sri N. Asoka, non-executive independent director chairs the meetings of the Committee. Sri D. Sudharsan, Executive Director and Sri A.G. Venkatesan, non-executive Director, are members of this Committee. The Company Secretary and Chief Financial Officer is the Secretary of the Committee and the Compliance officer. Minutes of the Committee meetings are circulated to all directors and discussed at the Board meetings.


Finance Committee

The Finance Committee was constituted to consider the borrowings and deployment of funds. Sri S. Devarajan, Chairman and Managing Director, Chairs the meetings of the Committee. Sri S. Jegarajan and Sri S. Dinakaran, executive Directors, are members of this Committee. The Company Secretary and Chief Financial Officer is the Secretary of the Committee. Minutes of the Committee meetings are circulated to all directors and discussed at the Board meetings.

Remuneration Committee

The Remuneration Committee was constituted to consider the remuneration and other benefits to the executive directors. The Committee consists of 3 non-executive independent directors, namely Sri P. S. Ananthanarayanan, Sri V. Gopalan and Sri N. Asoka. Sri P. S. Ananthanarayanan chairs the 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 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, 2009

Name of the Directors	Executive/ Non-Executive/ Independent	Board Meeting	Audit Committee Meeting	Share transfer and Investor Grievance Committee	AGM held on 27.9.08	Directors sitting fees Rs.	Directors remune- ration Rs.
Sri S. Devarajan	Chairman and Managing Director	5	-	4	1	-	24,00,000
Sri S. Jegarajan	Joint Managing Director	5	-	4	1	-	20,00,000
Sri S. Dinakaran	Joint Managing Director	5	-	-	1	-	6,40,000
Sri D. Sudharsan	Whole time Director	5	-	4	1	-	12,00,000
Sri A. G. Venkatesan	Non-Executive	5	-	4	1	12,500	-
Sri P. S. Ananthanarayanan	Independent	5	4	-	1	92,500	-
Sri V. Mahadevan	Independent	5	4	-	1	87,500	-
Sri V. Gopalan	Independent	5	4	-	1	92,500	-
Sri N. Asoka	Independent	5	4	-	1	92,500	-
Sri S. P. Ratnam	Non-Executive	1	-	-	-	2,500	-
Sri R. Selvarajan	Non-Executive	1	1	-	-	17,500	-
Sri A. R. Natarajan	Non-Executive	1	-	-	-	2,500	-
Sri A. R. Annamalai	Non-Executive	1	-	-	-	2,500	-

Note :

- (1) Sri A.G. Venkatesan became a member of the Share Transfer Committee on May 29, 2008.
- (2) Five Board meetings were held during the year on May 29, 2008, July 31, 2008, September 27, 2008, October 31, 2008 and January 29, 2009. Audit Committee meetings were held during the year on May 27 and 28, 2008, July 30, 2008, October 30, 2008 and January 28, 2009. Share Transfer Committee meetings and Investors Grievance Committee meetings were held on May 29, 2008, July 31, 2008, October 31, 2008 and January 29, 2009.
- (3) Sri S.P. Ratnam, Sri R. Selvarajan, Sri A.R. Natarajan and Sri A.R. Annamalai resigned from the board on May 29, 2008.



4. General Shareholder Information

A. The 35th Annual General Meeting of the Company will be held on September 23, 2009 at 10.45 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
2006	28-06-2006	10.30 a.m.	Mill Premises, Kamaraj Nagar Colony, Salem 636 014.
2007	06-07-2007	10.15 a.m.	Mill Premises, Kamaraj Nagar Colony, Salem 636 014.
2008	27-09-2008	10.45 a.m.	Mill Premises, Kamaraj Nagar Colony, Salem 636 014.

Three Special Resolutions were passed at the Annual General Meeting held on September 27, 2008 to approve the restructure of the remuneration payable to the three whole time directors of the Company. A Special Resolution was passed at the Annual General Meeting held on June 28, 2006 for delisting the Company's shares from the Madras Stock Exchange Limited and the Coimbatore Stock Exchange Limited.

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

B. Book Closure Period

The Book Closure period is from September 17, 2009 to September 23, 2009 (both days inclusive).

C. Financial Calendar for year 2009-2010

Board Meetings to be held in 2009-2010 : July 2009, September 2009, October 2009, January 2010 and June 2010

Annual General Meeting for 2009-10 : 36th AGM will be held in September, 2010

D. Listing on Stock Exchanges

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

For Dematerialisation of shares, the ISIN No. allotted to the Company is **INE304D01012**. The shares are available for trading in the depository system of both the National Securities Depository Limited (NSDL) and the Central Depository Services Limited (CSDL). So far 79.12% of the total shares of the Company are in dematerialised form.

E. Registrar and transfer agents

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

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


F. Market Price (BSE) during the Period April 1, 2008 to March 31, 2009

Month	High (Rs.)	Low (Rs.)
April 2008	84.90	65.00
May "	87.95	75.20
June "	82.45	62.00
July "	69.90	61.00
August "	69.00	60.00
September "	68.50	53.10

Month	High (Rs.)	Low (Rs.)
October 2008	56.00	33.55
November "	46.00	32.30
December "	44.80	37.10
January 2009	43.85	37.10
February "	36.00	27.50
March "	29.85	24.15

G. Means of communication

The annual, half-yearly and quarterly results are regularly published in the English and vernacular newspapers and are also posted on the Company's website at www.sambandam.com. These are also sent to the stock exchanges concerned in accordance with the listing agreement. Further all communication 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
Post box no.1, Kamaraj Nagar Colony
Salem 636 014.

Phone : 0427-2240790-94

Fax No. : 0427-2240169

e-mail : cs@sambandam.com

H. Distribution of shareholding as on March 31, 2009

Shares held	Shareholders	%	No. of shares	%
1 - 5000	3748	91.50	4,54,173	10.65
5001 - 10000	140	3.42	1,11,748	2.62
10001 and above	208	5.08	36,98,679	86.73
Total	4096	100.00	42,64,600	100.00

I. Shareholding pattern as on March 31, 2009

Category	No. of shares held	%
Indian Promoters	26,09,534	61.19
Financial Institutions	76,590	1.80
Bodies Corporate	1,46,452	3.43
Non Resident Indians	7,348	0.17
Indian Public	14,24,496	33.40
Clearing member	180	0.01
Total	42,64,600	100.00

J. Disclosures

- (i) Details of transactions with any of the related parties as specified in Accounting Standards issued under section 211(3) of the Companies Act, 1956 have been reported in the Notes to the Accounts. There is no transaction of a material nature with any of the related party, which was in conflict with the interests of the Company.
- (ii) There was no non-compliance, penalties or strictures imposed on the Company by any Stock exchange, SEBI, or any other statutory authority on any matters relating to capital market during the last three years.



- (iii) The Management Discussion and Analysis Report forms a 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.
- Unit – II Ayeepalayam, Athanur 636 301, Namakkal District.
- Unit – III Kavarakalpatty, Seshanchavadi Post, Salem 636 111.

Wind energy converters

- Panagudi, Pazavoor and Parameshwarapuram villages, Radhapuram Taluk, Tirunelveli District, Tamilnadu.
- Uthumalai Village, Veerakeralam Pudur Taluk, Tirunelveli District, Tamilnadu.
- Gudimangalam Village, Udumalpet Taluk, Coimbatore District, Tamilnadu.

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

To

The Members of Sambandam Spinning Mills Limited

1. We have examined the compliance with the conditions of Corporate Governance by Sambandam Spinning Mills Limited (the Company) for the year ended March 31, 2009 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

M.K. Rajan-Partner

Membership No.4059

Place : Salem

Date : June 25, 2009

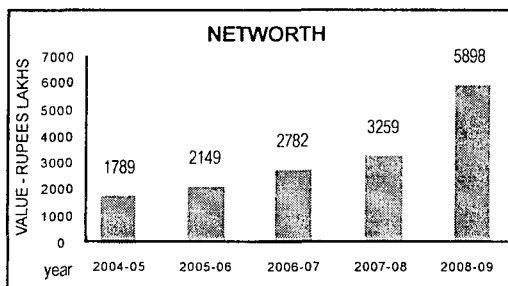
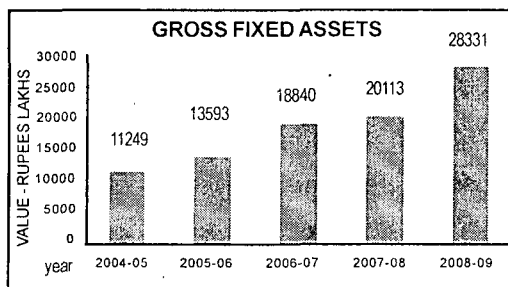
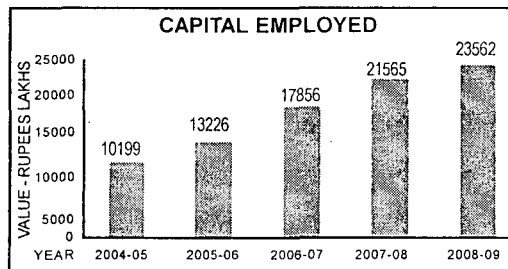


DIRECTORS' REPORT

Your directors present the 35th Annual Report and Audited Accounts for the year ended March 31, 2009 (the year).

Performance highlights

	2009	2008
	(Rs. lakhs)	
Turnover - gross		
Direct export.	63	603
Merchandise export	2508	3281
	2571	3884
Domestic	9351	8782
Conversion charges earned	21	18
	11943	12684
Less sales tax and cess recovery	266	246
Total turnover	11677	12438
Gross profit (ie. profit before interest and depreciation)	1796	2604
Cash profit (ie. profit before depreciation)	466	1673
Profit/(loss) before tax	(537)	856
Profit/(loss) after tax	(382)	592
Earnings per share – Basic Rs.	(8.96)	13.87



Dividend payout

Due to the loss incurred by the Company, your directors have not recommended any dividend for the year ended March 31, 2009.

Management discussion and analysis

The core business of the Company is manufacture and sale of cotton yarn. The management discussion and analysis given below discusses the key issues of the cotton yarn spinning sector.

(a) Industry performance

The year under review was a difficult year for the textile industry. Several factors such as economy slowdown in USA, global recession in the money market, lack of demand for yarn, high cost of raw material due to hike in the minimum support price of cotton by Government of India, frequent power cut, erratic power supply, high cost of fuel and increase in borrowing costs have adversely affected the performance of textile industry.

**(b) Company's performance**

Your Company was also hit by the above said exceptional factors, more importantly the adverse factor created on account of power supply situation in Tamil nadu and as a result, the turnover of your Company was lower at Rs.11,677 lakhs as against Rs.12,438 lakhs, a drop of nearly 6%. In spite of a record cotton crop, prices continued to rule abnormally high on account of the Government's decision allowing additional exports of cotton. Due to the economy slowdown, the export sales (including merchandise export) also witnessed a fall. Thus our Company was faced with a situation of lower prices for its finished products and a higher cost for its raw materials, resulting in drop in the profits.

Your Company's expansion project involving installation of 10,800 spindles was completed in July 2008. The remaining portion of the project involving 19,200 spindles and 24 looms was deferred due to the recession engendered by the above said factors in textile industry.

Your Company's Wind energy converters (WEC) generated power of the value of Rs.859 lakhs as against Rs.851 lakhs in the previous year. During the year also, your Company earned carbon credit income of Rs.166 lakhs as against Rs.336 lakhs in 2007-08.

(c) Outlook

Presently the textile industry is witnessing a turnaround and the demand for yarn is picking up in the domestic market. Export market is also showing signs of improvement. The textile industry is looking forward the stimulus packages from Central Government. Availability of private power is expected to ease the power supply position. As a consequence, the Company's productivity is expected to improve and result in better utilization of installed capacity. Barring unforeseen circumstances, your directors are confident that during the current year your Company will be able to increase its turnover significantly and earn profits.

(d) Strategies and Future plans

As part of future plans the deferred expansion will be taken up for implementation, provided the present prevailing situation continues to improve. The Company's foray into weaving is expected to fructify in the near future. This will help to improve value addition as well as captive consumption of yarn produced by the Company.

(e) Risks and concerns**(i) Industry risk**

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

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

The vagaries in the power situation accentuated by the late onset of monsoon also affected the smooth flow of production resulting in higher cost without corresponding increase in the realisation.

(ii) Currency risk

Derivative instruments associated with import of cotton and machinery equipments and export of yarn can cause significant adverse results if not properly hedged. Your Company is taking the requisite ongoing steps to closely monitor the exchange rate movements.

**(iii) Leverage risk**

A Company poised on expansion mode runs the risk of adverse debt leveraging which may affect its financials significantly. Realising this, a close watch is being kept on optimum utilisation of the funds raised and consequently your Company does not envisage the said risk to adversely affect the Company.

(iv) Quality risk

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

(v) Research and Development

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

(f) Internal control and systems

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

(g) Financial performance

- (i) Share Capital/Reserves – Your Company's reserves and surplus as of March 31, 2009 improved to Rs.5545 lakhs due to revaluation of net assets, covering the paid up share capital by 12.98 times.
- (ii) Loan funds – Since the first phase of the expansion project was completed in July 2008 and the further expansion plan was deferred, no fresh funding was raised during the year under review.
- (iii) Fixed Assets - Pay out on account of capital expenditure during the year was Rs. 1645 lakhs (including those relating to the first phase of the expansion project).
- (iv) Debtors – Increase in receivables (trade) to Rs.1960 lakhs from Rs.1602 lakhs during the year was on account of increased competition resulting in the Company extending its credit period and poor off take of yarn.
- (v) Loans and advances – Decrease in advances to Rs. 528 lakhs from Rs.1590 lakhs was mainly on account of utilization of capital advances for completion of the expansion project.

(h) Human Resources Management

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

**(i) Corporate Social Responsibility**

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

(j) Cautionary note

Statements in the Directors' report and the management discussion and analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results might differ materially from those either expressed or implied in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other related factors such as litigation and industrial relations.

Directors

Your Directors note with deep regret the sad demise of Sri S.P. Sambandam, founder director and Chairman Emeritus of the Company, on November 6, 2008. Your Directors place on record their deep sense of appreciation for the valuable services rendered by him to the Company during the tenure of his office.

During the year Sarva Sri S.P. Ratnam, R. Selvarajan, A.R. Natarajan and A.R. Annamalai resigned from the Board on May 29, 2008. The Board records its appreciation for the valuable services rendered by them to the Company during the tenure of their office.

Sri S. Devarajan, Managing Director has been redesignated as Chairman and Managing Director with effect from May 29, 2008.

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

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

Auditors

The auditors, M.S. 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.

Acknowledgements

Your directors thank the Company's customers, vendors and investors for their continued support during the year. Your directors place on record their appreciation of the contribution made by employees at all levels. Your Company's consistent growth was made possible by the hard work, solidarity, cooperation and support of the management team.

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

Salem
June 25, 2009

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



Annexure to Directors' Report

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

Responsibility in relation to financial statements

The financial statements have been prepared in conformity, in all material respects, with the applicable Accounting Standards in a consistent manner and supported by reasonable and prudent judgements and estimates. The Directors believe that the financial statements reflect true and fair view of the financial position as on 31.3.2009 and of the results of operations for the year ended 31.3.2009.

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

Going Concern

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

Maintenance of Accounting Records and Internal Controls

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

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

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

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

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


Annexure to Directors' Report (contd.)
(ii) Conservation of energy, technology absorption and research and development and foreign exchange earnings and outgo
A. Conservation of energy
(a) Power and fuel consumption
1. Electricity

(i) Purchased units*	'000 KWH	15,035	18,599
Total cost	Rs. lakhs	824	899
Cost/unit	Rs.	5.48	4.83

*net of units generated thro' wind energy converters

(ii) Own generation
1) Through diesel generator

Generated units	'000 KWH	3,429	1,696
Units per litre of diesel	KWH	2.95	2.95
Cost/unit	Rs.	12.27	10.40

2) Through steam turbine/generator

— —

3) Through Wind energy converters

Generated units(fed to TNEB Grid)	'000 KWH	23,241	22,748
Cost/unit*	Rs.	3.03	2.32

*Cost includes maintenance charges, interest and depreciation

2. Coal

— —

3. Furnace oil

— —

4. Others

— —

(b) Consumption per unit of production

Production (yarn)*	Kgs. lakhs	68.22	66.59
Consumption of electricity	'000 KWH	41,705	43,043
Consumption per kg. of Yarn	KWH	6.11	6.46

* 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	2572.20	3883.98
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(b) Total Foreign exchange used and earned
1) CIF value of Imports

Capital goods*	Rs. lakhs	456.70	1238.82
Spares for Capital goods*	Rs. lakhs	72.36	32.02
Raw materials – cotton*	Rs. lakhs	930.24	—

*exclusive of net exchange difference

2) Other expenditure in foreign currency

Interest	Rs. lakhs	34.14	17.11
Other matters	Rs. lakhs	1.33	23.01

3) Foreign exchange earned

Yarn export	Rs. lakhs	63.87	610.16
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Annexure to Directors' Report (contd.)

(iii) Particulars of employees – information pursuant to section 217(2A) of the Companies Act, 1956

A. Employed throughout the year and in receipt of remuneration aggregating to Rs.24,00,000 or more.

Name	Age	Designation	Gross remuneration	Qualification	Experience	Date of appointment	Previous employer
S.Devarajan	60	Chairman and Managing Director	Rs.24,00,000	B.Sc	32 years	24-7-1977	—
S.Jegarajan	58	Joint Managing Director	Rs.20,00,000	Matriculate	25 years	24-6-1984	—
S.Dinakaran	52	Joint Managing Director	Rs.6,40,000	B.A.	25 years	24-6-1984	—
D.Sudharsan	34	Whole time Director	Rs.12,00,000	D.T.T.	14 years	07-9-1995	—

Note : The above directors, though employed throughout the year, have voluntarily waived their remuneration from December 1, 2008.

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

Note :

1. Remuneration includes salary and value of perquisites.
2. Nature of employment is contractual.

Salem
June 25, 2009

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, 2009.

Salem,
June 25, 2009

S. Devarajan
Chairman and Managing Director

**Auditors' Report to the Members**

1. We have audited the attached Balance Sheet of **Sambandam Spinning Mills Limited** as at March 31, 2009 and the relative Profit and loss Account and the Cash flow statement for the year ended on that date (the year), signed by us under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing and assurance standards generally accepted in India. The said Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
4. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books.
5. The financial statements dealt with by this report are in agreement with the books of account.
6. In our opinion, the financial statements comply in all material respects with the applicable Accounting Standards referred to in section 211(3C) of the Companies Act, 1956 (the Act).
7. Based on the written representation received from the directors as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is prima facie disqualified as on March 31, 2009 from being appointed as a director in terms of section 274(1)(g) of the Act.
8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements read with the Significant accounting policies and Notes to the accounts, give the information required by the Act in the manner so required and also give a true and fair view, in conformity with the accounting principles generally accepted in India:
 - 8.1 in the case of the Balance sheet, of the state of affairs of the Company as at March 31, 2009;
 - 8.2 in the case of the Profit and loss account, of the loss for the year; and
 - 8.3 in the case of the Cash flow statement, of the cash flows for the year.
9. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Government of India in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report that:
 - 9.1 In our opinion, the Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets. These fixed assets have been physically verified by the management during the year at reasonable intervals and no material discrepancies were noticed on such verification. The Company has not disposed off during the year substantial part of its fixed assets.
 - 9.2 Physical verification of inventory has been conducted at reasonable intervals by the management. In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory and no material discrepancies were noticed on such verification as compared to the book records.
 - 9.3 The Company has neither granted nor taken any loans, secured or unsecured, during the year from parties and companies listed in the register maintained under section 301 of the Act.
 - 9.4 In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.



- 9.5 (i) The particulars of contracts or arrangements that need to be entered into a register under section 301 of the Act have been entered.
- (ii) In our opinion, each of the transactions exceeding the value of Rs.5,00,000 pursuant to the aforesaid contracts/arrangement have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 9.6 In our opinion, the Company has complied with the provisions of sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 1975 with regard to deposits accepted from public.
- 9.7 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 9.8 On the basis of the records produced, we are of the opinion that prima facie, the cost records and related accounts prescribed by the Central Government under section 209(1)(d) of the Act have been made and maintained by the Company. However, we are not required to carry out and have not carried out any detailed examination of such records and accounts.
- 9.9 (i) In our opinion, the Company has been regular during the year in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities.
- (ii) There are no dues of wealth tax, service tax, customs duty which have not been deposited on account of any dispute. Details of dues towards excise duty and sales tax that have not been deposited on account of any dispute are (Nature of dues, dues, forum where dispute is pending) – Income tax, Rs.94,83,130, Commissioner of Income tax (Appeals); Excise duty, Rs.84,65,343, Customs, Excise and Service tax Appellate Tribunal; Sales tax, Rs.6,51,921, Deputy Commissioner of Commercial taxes.
- 9.10 The Company does not have any accumulated losses at the end of the year and has not incurred any cash losses in the year or in the immediately preceding year.
- 9.11 In our opinion, the Company has not defaulted during the year in repayment of dues to any financial institution, bank or debenture holders.
- 9.12 The Company has not granted during the year loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 9.13 The provisions of any special statute applicable to a chit fund, nidhi, mutual benefit fund/societies are not applicable to the Company.
- 9.14 The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- 9.15 The Company has not given any guarantees for loans taken by others from banks or financial institutions.
- 9.16 In our opinion, the term loans availed by the Company during the year, were, prima facie, applied for the purpose for which they were obtained.
- 9.17 Based on an overall examination of the financial statements of the Company, we report that no funds raised on short-term basis have been used for long term investment.
- 9.18 The Company has not made during the year any preferential allotment of shares to any party.
- 9.19 The Company has not issued during the year any debentures.
- 9.20 The Company has not raised money during the year by public issue of shares or other securities.
- 9.21 No instances of fraud of material significance perpetrated on or by the Company been noticed or reported during the period covered by our audit.

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

Salem
June 25, 2009

Sambandam Spinning Mills Limited



Balance sheet as at March 31, 2009

	Schedule	Rupees	2009 Rupees	2008 Rupees
1. Source of funds				
1.1 Shareholders' funds				
(i) Capital	1	4,27,55,000		4,27,55,000
(ii) Reserves and surplus	2	55,45,38,272		29,43,40,788
			59,72,93,272	33,70,95,788
1.2 Loan funds				
(i) Secured loans	3	145,89,46,306		150,17,60,183
(ii) Unsecured loans	4	9,30,20,891		9,46,10,059
			155,19,67,197	159,63,70,242
1.3 Deferred tax liability-net			20,69,78,107	22,30,31,961
			235,62,38,576	215,64,97,991
2. Application of funds				
2.1 Fixed assets	5			
(i) Gross block		283,31,16,867		201,12,65,149
(ii) Less depreciation		90,30,09,162		80,37,70,752
(iii) Net block		193,01,07,705		120,74,94,397
(iv) Capital work in progress		11,31,403		28,46,38,859
			193,12,39,108	149,21,33,256
2.2 Investments	6		2,10,02,972	2,10,02,972
2.3 Current assets, loans and advances				
(i) Inventories	7	18,81,36,583		34,97,55,085
(ii) Sundry debtors	8	21,63,11,982		19,37,98,434
(iii) Cash and bank balances	9	3,14,67,553		2,41,92,536
(iv) Other current assets	10	3,68,34,974		3,18,71,261
(v) Loans and advances	11	9,36,19,040		21,08,58,085
			56,63,70,132	81,04,75,401
Less				
2.4 Current liabilities and provisions				
(i) Liabilities	12	15,26,09,003		14,97,81,325
(ii) Provisions	13	1,72,27,000		2,85,75,142
			16,98,36,003	17,83,56,467
Net current assets			39,65,34,129	63,21,18,934
2.5 Miscellaneous expenditure	14		74,62,367	1,12,42,829
			235,62,38,576	215,64,97,991

Notes to the accounts 24

Statement on significant accounting policies and schedules
1 to 14 and 24 form an integral part of this Balance sheet

Per our report of even date
For M.S. Krishnaswami & Rajan
Chartered Accountants
M.K. Rajan-Partner

Salem
June 25, 2009

R.S. Shanmugam
Company Secretary and
Chief Financial Officer

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

S. Dinakaran
Joint Managing Director



Sambandam Spinning Mills Limited

Profit and loss account for the year ended March 31, 2009		2009	2008
1. Income	Schedule	Rupees	Rupees
1.1 Sales and conversion charges earned	15	116,76,67,420	124,38,05,552
1.2 Other income	16	36,45,063	95,49,900
		117,13,12,483	125,33,55,452
2. Expenditure			
2.1 Materials	17	69,63,05,983	67,74,85,699
2.2 Conversion charges paid		26,19,727	5,35,62,462
2.3 Stores and spare parts consumed		4,28,08,450	5,38,23,441
2.4 Power and fuel-net		9,25,96,713	7,35,69,525
2.5 Repairs to assets	18	1,69,60,689	1,28,11,805
2.6 Human resources	19	10,48,84,187	11,23,29,911
2.7 Other expenses	20	2,93,22,170	3,90,17,036
2.8 Financial expenses-net	21	13,92,46,021	9,81,20,701
2.9 Depreciation/amortisation	22	10,03,31,046	8,17,09,045
		122,50,74,986	120,24,29,625
3. Profit			
3.1 Profit/(loss) before tax and exceptional item		-537,62,503	5,09,25,827
3.2 Exceptional item - income		—	3,46,50,000
3.3 Profit/(loss) before tax		-5,37,62,503	8,55,75,827
3.4 Provision for taxation			
(i) Current tax - Income tax (vide note 15 of Schedule 24)		—	—
- Fringe benefit tax		5,00,000	5,00,000
(ii) Deferred tax liability - Recognition/(withdrawal)		-1,60,53,854	2,59,00,000
3.5 Profit/(loss) after tax carried to schedule 23		-3,82,08,649	5,91,75,827
4. Earnings per share-Basic (Face value Rs.10)		(-) 8.96	13.88

Notes to the accounts 24

Statement on significant accounting policies and Schedules 15 to 24 form an integral part of this Profit and loss account

Per our report of even date
For M.S. Krishnaswami & Rajan
Chartered Accountants
M.K. Rajan-Partner

Salem
June 25, 2009

R.S. Shanmugam
Company Secretary and
Chief Financial Officer

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

S. Dinakaran
Joint Managing Director



Cash flow statement for the year ended March 31, 2009		2009	2008
		Rupees	Rupees
1. Cash flow from operating activities			
1.1 Profit/Loss (-) before tax and exceptional item		(-) 5,37,62,503	5,09,25,827
1.2 Adjustment for			
(1) Depreciation and amortisation		10,03,31,046	8,17,09,045
(2) Deferred revenue expenses			
(i) Amortised in revenue		39,29,463	38,55,901
(ii) Incurred		(-) 1,49,000	(-) 7,26,000
(3) Unrealised foreign exchange gain(-)/loss		27,84,500	11,18,393
(4) Amount considered under investing activities			
(i) Profit(-)/Loss on disposal of assets		(-)19,20,808	(-) 72,46,893
(ii) Income from investments		(-) 58,500	(-) 57,075
(5) Amounts considered under financing activities			
(i) Interest paid		13,71,27,030	9,62,58,540
(ii) Interest received		(-) 40,52,694	(-) 31,38,887
1.3 Operating profit before working capital changes		18,42,28,534	22,26,98,851
1.4 Adjustments for changes in			
(i) Inventories		16,16,18,502	5,47,31,701
(ii) Trade and other receivables (excluding amounts pertaining to fixed assets)		(-) 33,11,069	(-) 7,72,18,784
(iii) Trade and other payables (excluding amounts pertaining to fixed assets and interest accrued but not due)		1,14,64,074	(-) 1,77,77,536
1.5 Cash generated from operating activities		35,40,00,039	18,24,34,232
1.6 Direct Taxes paid		(-) 73,22,136	(-)12,33,980
1.7 Cash flow before exceptional item		34,66,77,903	18,12,00,252
1.8 Exceptional item - Compensation received as one time settlement		—	3,46,50,000
1.9 Net cash flow from operating activities	(1)	34,66,77,903	21,58,50,252
2. Cash flow from investing activities			
2.1 Payments for acquisition of assets			
(1) Additions as per schedule 5		(-) 50,44,91,386	(-) 14,39,32,113
(2) Adjustment for changes in			
(i) Capital work in progress		28,35,07,456	(-) 20,85,84,216
(ii) Capital creditors-net		5,65,00,161	(-) 5,29,57,386
		(-) 16,44,83,769	(-) 40,54,73,715
2.2 Adjustment for changes in deposits maturing more than one year		22,48,100	28,61,000



Cash flow statement (Contd.)		2009	2008
		Rupees	Rupees
2.3	Sale proceeds of fixed assets	26,42,362	93,30,899
2.4	Refund of terminal excise duty relating to acquisition of assets	1,21,64,036	1,17,32,967
2.5	Interest received	40,52,694	31,38,887
2.6	Income from Investments	58,500	57,075
2.7	Net cash utilised in investing activities	(2) (-)14,33,18,077	(-) 37,83,52,887
3.	Cash flow from financing activities		
3.1	Borrowings - Raised - Long term	11,94,09,584	46,45,40,590
	- Short term	—	2,17,93,724
	- Repaid - Long term	(-)13,82,37,201	(-) 13,87,96,996
	- Short term	(-)6,37,93,758	—
3.2	Interest paid	(-)13,71,27,030	(-) 9,62,58,540
3.3	Dividend paid including tax thereon	(-)1,24,73,422	(-) 2,99,36,213
3.4	Net Cash from Financing Activities	(3) (-)23,22,21,827	22,13,42,565
4.	Net increase/(decrease) in cash flows (1) + (2) + (3)	(-)2,88,62,001	5,88,39,930
5.	Represented by movement in cash and cash equivalents as under		
5.1	At beginning		
(i)	Cash and bank balances (excluding bank deposits maturing more than one year)	1,95,94,536	1,09,22,768
(ii)	Cash credit balances	(-) 27,11,12,884	(-) 32,12,81,046
		(-) 25,15,18,348	(-) 31,03,58,278
5.2	At end		
(i)	Cash and bank balances (excluding bank deposits maturing more than one year)	2,91,17,653	1,95,94,536
(ii)	Cash credit balances	(-) 30,94,98,002	(-) 27,11,12,884
		(-)28,03,80,349	(-) 25,15,18,348
5.3	Movement	(-)2,88,62,001	5,88,39,930

Per our report of even date
For M.S. Krishnaswami & Rajan
 Chartered Accountants
M.K. Rajan-Partner

Salem
 June 25, 2009

R.S. Shanmugam
 Company Secretary and
 Chief Financial Officer

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

S. Dinakaran
 Joint Managing Director

**Statement on significant accounting policies**

1. Basis of preparation of financial statements - The financial statements are prepared in accordance with the generally accepted accounting principles including accounting standards in India under historical cost convention except in so far as they relate to revaluation of net assets.
2. Use of estimates - The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements, disclosure of contingent liabilities and reported amounts of revenues and expenses for the year. Estimates are based on historical experience, where applicable, and other assumptions that management believes are reasonable under the circumstances. Actual results could vary from these estimates and any such differences are dealt with in the period in which the results are known/materialise.
3. Revenue recognition - Sales are recognized on dispatch to customers and include recovery towards sales tax, textile committee cess and export incentives. Revenue by way of, consideration receivable for the sale of goods, the rendering of services or, from the use by others of enterprise resources, and other benefits are recognised only when they are measurable and it would not be unreasonable to expect ultimate collection.
4. Foreign currency transactions - Foreign currency transactions (including booking/cancellation of forward contracts) are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency, other than those covered by forward exchange contracts, are translated at year end foreign exchange rates. Exchange differences arising on settlements are recognized in the Profit and Loss account. In case of forward exchange contracts which are entered into hedge the foreign currency risk of a receivable/payable recognized in these financial statements, premium or discount on such contracts are amortised over the life of the contract and exchange differences arising thereon in the reporting period are recognised in the Profit and loss account. Forward exchange contracts which are arranged to hedge the foreign currency risk of a firm commitment is marked to market at the year end and the resulting losses, if any, are charged to the Profit and loss account.
5. Employee benefits - (i) Short term employee benefit obligations are estimated and provided for; (ii) Post employment benefits and other long term employee benefits - (1) Company's contribution to provident fund, labour welfare fund, employees state insurance corporation and other funds are determined under the relevant schemes and /or statute and charged to revenue; (2) Company's liability towards gratuity and compensated absences are actuarially determined at each balance sheet date using the projected unit credit method. Actuarial gains and losses are recognised in revenue.
6. Fixed Assets - All costs relating to acquisition of fixed assets net of value added tax and terminal excise duty refund under Export Promotion Capital Goods Scheme, subject to the economic life and the cost being in excess of certain limits, are capitalised. Expenditure directly related and incidental to construction are capitalized upto the date of attainment of commercial production. Interest and other related costs, including amortised cost of borrowings attributable only to major projects are capitalized as part of the cost of the respective assets. In the case of Wind energy converters, cost of land on which the converters have been erected is capitalised as cost of the said converters.
7. Depreciation/amortization - Fixed assets are depreciated/amortised in the following manner: (i) assets like computer software and trade name, over their estimated useful life, ie. five years; (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 – These are carried at cost of acquisition and related expenses less provision for diminution other than temporary, if any.
10. Inventories – The governing principle of valuation of Inventories (other than process waste) is the lower of cost and net realisable value. The cost for the said purpose (i) in the case of stores and spare parts, is the weighted average cost (net of Cenvat credit/value added tax, if any), (ii) in the case of cotton in process and manufactured yarn, is the cost adopting the absorption costing method, and (iii) is without deduction of the adjustment made for power generated through Wind energy converters and adjusted against the cost of power purchased from state electricity board. Process waste is valued at net realizable value. Provision is made for obsolete, slow moving and damaged items of inventory, if any.
11. Government grants – Capital grants from government relating to depreciable assets are treated as deferred income and disclosed as a capital reserve and amortised over the useful life of the asset concerned. Cenvat credit relating to capital assets acquired is treated as capital reserve and amortised over the useful life of the assets concerned by transfer to profit and loss account and considered under depreciation. Grants/incentives other than those mentioned above are reckoned in the profit and loss account in the year of eligibility.
12. Deferred revenue expenditure – Major revenue expenditure incurred by way of/in connection with (i) planned replacement of worn out parts of plant and equipments, (ii) structures erected on leasehold land and (iii) raising of borrowing, is amortised (i) over the estimated period the benefit from such expenditure is expected to endure in the case of (i) above, the period of lease in the case of (ii) above and over the period of the borrowings in the case of (iii) above.
13. Research and development – Revenue expenditure on research and development is charged to the profit and loss account as incurred. Capital expenditure on research and development is given the same accounting treatment as applicable to other capital expenditure.
14. Taxation - Income tax expense comprises of current tax, deferred tax charge or credit and fringe benefit tax. Provision for current tax is made with reference to taxable income for the current accounting year by applying the applicable tax rate. Deferred income tax charge reflects the impact of the current period timing differences between taxable income and accounting income, other than differences capable of getting reversed during the 'tax holiday' period, subject to consideration of prudence. The deferred tax charge or credit is recognised using prevailing tax rates. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets/liabilities are reviewed as at each balance sheet date based on developments during the period and available case laws to reassess realisation/liabilities.
15. Provisions and contingencies - To recognise a provision when (i) the Company has a present obligation as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. A disclosure of a contingent liability is made when there is a possible obligation that may, but probably will not, require outflow of resources. Where there is possible obligation or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.


Schedules to the accounts

	2009 Rupees	2008 Rupees
1. Capital		
Authorised		
50,00,000 Equity shares of Rs.10 each	<u>5,00,00,000</u>	<u>5,00,00,000</u>
Issued		
42,86,400 Equity shares of Rs.10 each	<u>4,28,64,000</u>	<u>4,28,64,000</u>
Subscribed		
42,64,600 Equity shares of Rs.10 each	<u>4,26,46,000</u>	<u>4,26,46,000</u>
Add Forfeited shares (amount paid-up)	<u>1,09,000</u>	<u>1,09,000</u>
	<u>4,27,55,000</u>	<u>4,27,55,000</u>
2. Reserves and surplus		
Capital reserve		
Securities premium account	<u>5,39,09,064</u>	<u>5,39,09,064</u>
Revaluation reserve	<u>30,02,16,417</u>	<u>—</u>
Cenvat credit relating to capital assets	<u>49,62,355</u>	<u>67,72,639</u>
	<u>35,90,87,836</u>	<u>6,06,81,703</u>
General reserve	<u>19,54,50,436</u>	<u>22,50,00,000</u>
Surplus - Balance in profit and loss account	<u>—</u>	<u>86,59,085</u>
	<u>55,45,38,272</u>	<u>29,43,40,788</u>
3. Secured loans		
From bankers - Term loans	<u>112,21,68,418</u>	<u>123,06,47,299</u>
- Cash credit facilities	<u>30,94,98,002</u>	<u>27,11,12,884</u>
- Buyer's credit facilities	<u>2,72,79,886</u>	<u>—</u>
	<u>145,89,46,306</u>	<u>150,17,60,183</u>
4. Unsecured loans		
Fixed deposits	<u>7,76,35,526</u>	<u>7,28,75,062</u>
Sales-tax deferral	<u>1,53,85,365</u>	<u>2,17,34,997</u>
	<u>9,30,20,891</u>	<u>9,46,10,059</u>
5. Fixed assets		

Description	Cost 2008	Additions/ (Deductions)	Addition on revaluation	Cost/ valuation 2009	Depreciation/ amortisation to date	Net Block	
						2009	2008
Land	1,54,63,777		21,70,37,223	23,25,01,000		23,25,01,000	1,54,63,777
Buildings	18,07,83,247	14,23,27,315	11,61,11,619	43,92,22,181	4,88,67,971	39,03,54,210	14,09,84,103
Plant and machinery	117,85,90,671	34,28,79,458 (1,56,07,870)	—	150,58,62,259	60,96,75,880	89,61,86,379	62,57,13,305
Wind energy converters	60,46,63,900	—	—	60,46,63,900	22,08,86,452	38,37,77,448	41,51,75,575
Furniture and office equipments	60,74,142	8,52,960 (1,30,990)	—	67,96,112	30,02,133	37,93,979	35,96,085
Vehicles	1,20,92,172	16,63,239 (29,650)	—	1,37,25,761	67,52,253	69,73,508	65,09,312
Live stock	52,240	(20,000)	—	32,240	—	32,240	52,240
Intangible assets - acquired							
Computer software	—	1,67,68,414	—	1,67,68,414	2,79,473	1,64,88,941	—
Trade name	1,35,45,000			1,35,45,000	135,45,000	—	—
	201,12,65,149	50,44,91,386 (1,57,88,510)	33,31,48,842	283,31,16,867	90,30,09,162	193,01,07,705	120,74,94,397
Previous year	188,40,35,766	14,39,32,113 (1,67,02,730)	—	201,12,65,149	80,37,70,752	120,74,94,397	116,12,54,675



Schedules to the accounts (Contd.)	2009 No. of shares	2008	2009 Rupees	2008 Rupees
6. Investments				
Equity shares of Companies of Rs. 10 each				
Karnataka Bank Limited	950	950	27,972	27,972
Sambandam Investment and Leasing Limited - unquoted	1,07,500	1,07,500	10,75,000	10,75,000
SPMM Healthcare Services Private Limited - unquoted	19,90,000	19,90,000	1,99,00,000	1,99,00,000
			<u>2,10,02,972</u>	<u>2,10,02,972</u>
7. Inventories				
Stores and Spares			41,09,649	48,69,337
Cotton			6,59,70,035	20,55,25,552
Cotton-in-process			7,63,61,624	7,03,32,006
Yarn			4,11,41,722	6,85,04,167
Process waste			5,53,553	5,24,023
			<u>18,81,36,583</u>	<u>34,97,55,085</u>
8. Sundry debtors				
(Unsecured, considered good)				
Trade			19,59,68,875	16,01,57,155
Others			2,03,43,107	3,36,41,279
Of the above - age analysis of debts			<u>21,63,11,982</u>	<u>19,37,98,434</u>
Debts over six months old			69,27,151	49,79,157
Other debts			<u>20,93,84,831</u>	<u>18,88,19,277</u>
9. Cash and bank balances				
Cash on hand			24,19,986	21,26,573
Balance with Scheduled banks				
On Current account			1,20,77,622	75,12,503
On Deposit account			1,69,69,945	145,53,460
			<u>3,14,67,553</u>	<u>2,41,92,536</u>
10. Other current assets				
(Unsecured, considered good)				
Deposit with government, public bodies and others			3,01,02,187	2,89,71,721
Prepaid expenses			41,75,064	18,69,469
Interest accrued on deposits			25,57,723	10,30,071
			<u>3,68,34,974</u>	<u>3,18,71,261</u>
11. Loans and advances				
(Unsecured, considered good)				
Advances			5,28,05,504	15,89,93,916
Other receivables			4,08,13,536	5,18,64,169
			<u>9,36,19,040</u>	<u>21,08,58,085</u>


Schedules to the accounts (Contd.)

	2009 Rupees	2008 Rupees
12. Liabilities Rupees		
Acceptances	6,24,42,720	—
Trade creditors and accrued charges		
- Micro and small enterprises	2,04,747	12,92,198
- Others	8,05,74,425	14,01,18,560
Trade deposits and advances	21,98,340	22,08,640
Interest accrued but not due on loans	4,51,260	66,886
Unclaimed dividend	17,07,521	16,30,808
Other liabilities	50,29,990	44,64,233
	<u>15,26,09,003</u>	<u>14,97,81,325</u>
13. Provisions		
Employee benefits - Compensated absences	1,72,27,000	1,61,01,720
Proposed dividend	—	1,06,61,500
Tax on proposed dividend	—	18,11,922
	<u>1,72,27,000</u>	<u>2,85,75,142</u>
14. Miscellaneous expenditure		
Deferred replacement expenses	36,44,514	63,08,586
Cost of structures on leasehold land	22,77,717	26,03,097
Loan raising expenses	15,40,136	23,31,146
Expenditure not written off or adjusted	74,62,367	1,12,42,829
15. Sales and conversion charges earned		
Yarn	111,24,87,615	119,32,81,737
Process waste	7,96,73,280	7,33,42,817
	<u>119,21,60,895</u>	<u>126,66,24,554</u>
Sales-tax and textile committee cess paid	2,65,63,205	2,45,80,718
	<u>116,55,97,690</u>	<u>124,20,43,836</u>
Conversion charges earned (Tax deducted at source Rs.76,673; 2008 Rs.6,251)	20,69,730	17,61,716
	<u>116,76,67,420</u>	<u>124,38,05,552</u>
16. Other income		
Income from long term investments - Dividend	58,500	57,075
Profit on disposal/compulsory acquisition of fixed assets (Tax deducted at source Rs. Nil; 2008 Rs.6,18,861)	19,20,808	72,46,893
Yarn testing and other charges earned (Tax deducted at source : Rs.31,930; 2008 Rs.32,917)	16,59,841	17,39,859
Miscellaneous income	5,914	5,06,073
	<u>36,45,063</u>	<u>95,49,900</u>
17. Materials		
Raw materials consumed		
- cotton	66,31,82,355	65,61,90,584
- others	1,18,20,331	78,75,333
	<u>67,50,02,686</u>	<u>66,40,65,917</u>
Add decrease in value of stock in process, yarn and process waste	2,13,03,297	1,34,19,782
	<u>69,63,05,983</u>	<u>67,74,85,699</u>



Schedules to the accounts (Contd.)	2009 Rupees	2008 Rupees
18. Repairs to assets		
Buildings	9,58,551	8,11,952
Plant and machinery	1,57,40,018	1,18,20,757
Other assets	2,62,120	1,79,096
	<u>1,69,60,689</u>	<u>1,28,11,805</u>
19. Human resources		
Salaries, wages and bonus	8,59,36,549	9,72,83,940
Contribution to provident, gratuity and other funds	1,09,13,049	84,00,991
Workmen and staff welfare expenses	80,34,589	66,44,980
	<u>10,48,84,187</u>	<u>11,23,29,911</u>
20. Other expenses		
Brokerage and commission on sales	1,02,12,627	124,48,135
Rent	1,22,000	1,46,000
Rates and taxes	5,88,491	14,30,434
Insurance	16,14,325	30,24,476
Travel and vehicles upkeep	70,17,333	74,02,041
Donation and charity	11,89,500	44,87,500
Directors' sitting fees	4,02,500	4,50,000
Frieght outwards	25,06,105	25,60,674
Exchange differences-net-loss	4,47,962	14,09,310
Miscellaneous expenses	52,21,327	56,58,466
	<u>2,93,22,170</u>	<u>3,90,17,036</u>
21. Financial expenses-net		
Interest paid on loans and other accounts	13,71,27,030	9,62,58,540
Less Interest earned on deposits and other accounts (Tax deducted at source Rs.6,13,588, 2008 Rs.7,82,442)	40,52,694	31,38,887
	<u>13,30,74,336</u>	<u>9,31,19,653</u>
Bank and other financial charges	61,71,685	50,01,048
	<u>13,92,46,021</u>	<u>9,81,20,701</u>
22. Depreciation/amortisation		
Buildings	90,68,827	59,97,846
Plant and machinery	5,78,12,465	4,14,99,248
Wind energy converters	3,13,98,127	3,13,98,127
Furniture and office equipments	5,81,405	3,69,134
Vehicles	11,90,749	10,90,190
Intangible assets - acquired		
Computer software	2,79,473	—
Trade name, licence, business/commercial rights	—	13,54,500
	<u>10,03,31,046</u>	<u>8,17,09,045</u>
23. Profit and loss account		
Balance brought forward from prior year	86,59,085	49,56,680
Profit/(loss) after tax for the year	- 3,82,08,649	5,91,75,827
	<u>- 2,95,49,564</u>	<u>6,41,32,507</u>
Appropriation		
- Transfer to General reserve	—	4,30,00,000
- Proposed dividend	—	1,06,61,500
- Corporate tax on proposed dividend	—	18,11,922
Amount shown as a deduction from General reserve	<u>2,95,49,564</u>	<u>—</u>
Balance profit carried to Balance Sheet	<u>—</u>	<u>86,59,085</u>


Schedule to the accounts (Contd.)
24. Notes to the accounts
1. Quantitative Information

			2009	2008	
(i)	Capacities	- Installed	Spindles	84,252	73,452
(ii)	Production	- Yarn	Kgs.	68,96,997	77,05,941
		- Process waste	Kgs.	22,32,247	26,38,634
(iii)	Consumption	- Cotton	Kgs.	94,34,187	1,05,20,691
		- Others	Kgs.	74,784	66,604
(iv)	Sales	- Yarn	Kgs.	70,63,205	76,58,151
		- Waste	Kgs.	22,37,737	26,38,866
(v)	Stocks at end			2009	2008
	Yarn				2007
		Kgs.		2,24,175	3,90,383
		Rs.		4,11,41,722	6,85,04,167
	Process waste	Kgs.		9,244	14,734
		Rs.		5,53,553	5,24,023
	Cotton-in-process	Rs.		7,63,61,624	7,03,32,006

			2009	2008
			Rupees	Rupees
2.	Consumption of materials			
	Raw materials (Cotton, others)	- Imported	9,40,65,739	6,42,640
			(13.94%)	(0.10%)
		- Indigenous	58,09,36,947	66,34,23,277
			(86.06%)	(99.90%)

There was no consumption of components and spare parts pertaining to finished goods

3. Foreign exchange earnings/outflow

(i)	Export of goods (Yarn)	- FOB basis	62,95,541	6,03,35,832
	Others (Freight recovery)		91,401	6,79,977
(ii)	Imports (CIF)	- Machinery	4,56,69,772	12,38,81,614
		- Machinery spares	72,35,730	32,02,182
		- Cotton	9,30,23,632	—
(iii)	Expenditure in foreign currency	- Interest	34,13,879	17,10,629
		- Others	1,32,525	23,01,389
(iv)	Remittance of dividend to Non-Resident Shareholders		—	—

4. Earnings per share

Profit/(Loss) after taxation as per Profit and loss account (A)	(3,82,08,649)	5,91,75,827
Number of equity shares outstanding (B)	42,64,600	42,64,600
Earnings per share (in Rupees) – Basic (A/B)	(8.96)	13.88



24. Notes to the accounts (contd.)

5. Deferred taxation

Deferred tax liability pertaining to timing differences on account of

	2009 Rupees	2008 Rupees
- Depreciation	26,78,99,830	22,54,75,855
- Deferred revenue expenses	20,12,966	30,29,081
	<u>26,99,12,796</u>	<u>22,85,04,936</u>

Deferred tax asset

- Pertaining to unabsorbed tax depreciation	5,70,79,232	—
- Pertaining to provision for employee benefits	58,55,457	54,72,975
	<u>20,69,78,107</u>	<u>22,30,31,961</u>

Net Deferred tax liability as per Balance Sheet

	<u>20,69,78,107</u>	<u>22,30,31,961</u>
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6. Segment information

The Company is principally engaged in a single business segment viz., cotton yarn and operates in one geographical segment as per Accounting Standard 17 on "Segment Reporting".

7. Related party disclosure

(i) Related parties with whom transactions have taken place during the year

(1) Key management personnel	Sri S. Devarajan – Chairman and Managing Director
(2) Associate	SPMM Healthcare Services Private Limited
(3) Parties where significant influence exists	S. Palaniandi Mudaliar Charitable Trust Sambandam Spinning Mills Gratuity Trust

(ii) Transactions with related parties

(1) Key management personnel		
- Interest payment	—	38,295
- Dividend payment	9,13,103	21,91,446
- Remuneration	24,00,000	36,00,000
- Fixed deposits repaid	—	8,00,000
- Outstanding balances under Fixed deposits	—	—
(2) Associate		
- Advances – trade	- given - repaid - outstanding	— — 67,00,000
(3) Parties where significant influence exists		
a) S. Palaniandi Mudaliar Charitable trust		
- Advances	- given - repaid - outstanding	92,00,000 25,00,000 3,29,32,425
- Payments for employee welfare services	9,36,391	5,47,002
- Contribution paid	11,00,000	44,00,000
b) Sambandam Spinning Mills Gratuity trust		
- Contribution paid/payable	61,10,633	36,09,734

8. Issued and subscribed capital include 24,85,900 (2008 – 24,85,900) Equity shares allotted as fully paid up by way of bonus shares by capitalisation of part of General reserve.

9. Movement in reserves – (i) Additions: (1) Amount appropriated from the profit and loss account to General reserve Rs. Nil (2008 Rs.4,30,00,000); and (2) Amount credited to Revaluation reserve on account of revaluation of net assets of the Company Rs.30,02,16,417 (2008 Rs. Nil); (ii) Deductions: (1) Amount amortised from Cenvat credit relating to capital assets and adjusted in Depreciation in Schedule 22 Rs.18,10,284 (2008 Rs.21,66,372); and (2) Balance loss for the year ended March 31, 2009 shown as a deduction in General reserve Rs.2,95,49,564.



Schedule to the accounts (contd.)

24. Notes to the accounts

10. Particulars of security for secured loans – (i) Term loans from banks to an extent of Rs.87,98,19,756 (2008 Rs.88,13,28,573) are secured by a first charge on the Company's immovable and movable properties (excluding book debts) subject to the charge stated in (iv) infra, (ii) Term loans from banks to an extent of Rs.24,23,48,662 (2008 Rs.28,55,24,968) are secured by hypothecation of certain specific assets, (iii) Term loan from bank to an extent of Rs.Nil (2008 Rs.6,37,93,758) is secured by pari passu first charge on the Company's book debts and stock in trade; and (iv) Cash credit/buyer's credit facilities are secured by a first charge on the Company's current assets and by a second charge on the Company's immovable and movable properties (other than those covered under the first charge mentioned in (i) supra, (v) All the loans are guaranteed by four directors.
11. Unsecured loans include – (i) fixed deposits from directors Rs.65,000 (2008 Rs.37,80,000), and (ii) amounts repayable within twelve months from the balance sheet date Rs.1,19,82,000 (2008 Rs.2,80,16,400).
12. Fixed assets – (i) Cost of additions and capital work-in-progress includes borrowing cost of Rs.1,48,66,583 (2008 Rs.2,11,97,856) and other expenses in the course of construction Rs.96,56,514 (2008 Rs.11,84,662); (ii) Deductions under plant and machinery includes terminal excise duty refund under Export Promotion Capital Goods Scheme, of Rs.1,21,64,036 (2008 Rs.1,17,32,967).
13. The net assets of the Company were revalued as on March 31, 2009 by an external valuer on the basis of (i) estimated market value in the case of land, (ii) estimated depreciated replacement cost in the case of other fixed assets; and (iii) estimated amounts realisable/payable in the case of other assets and liabilities. The resulting net surplus on such revaluation aggregating Rs.30,02,16,417 has been credited to revaluation reserve.
14. (i) All investments are long term, non trade and quoted unless otherwise stated. Market value of quoted investments Rs.61,940 (2008 Rs.1,89,953).
15. Loans and advances include Income tax paid in advance/deducted at source, net of provisions therefor. The income tax liability for the year 2008 as minimum alternate tax under section 115JB of the Income tax Act, 1961 amounting to Rs.97,00,000 is eligible to be carried forward and set off against future income tax under section 115JAA of the Income tax Act, 1961 and hence the minimum alternate tax credit entitlement is included in the above head in 2008.
16. Trade creditors and accrued charges include provision for gratuity liability as per actuarial valuation Rs.87,20,633 (2008 Rs.36,09,734).
17. (i) The information required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. There are no overdues to parties on account of principal amount and/or interest and accordingly no additional disclosures have been made; and (ii) There are no amounts remaining unpaid or unclaimed for a period of seven years in respect of unpaid dividend, matured fixed deposits and interest thereon from the date they became payable by the Company and hence there are no amounts remaining to be credited to the Investor Education and Protection Fund.
18. 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, Japanese Yen 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 \$ 7,18,636 (2008 US \$ 25,00,000) as at March 31, 2009 and has a net unhedged exposure of US \$ 10,52,570 (2008 US\$3,643).
19. Estimated capital expenditure commitments (net of advances) Rs16,04,74,658 (2008 Rs.68,17,00,000).
20. Contingent liabilities: (i) Claims against the Company not acknowledged as debts Rs.13,38,921 (2008 Rs.36,18,937); (ii) Guarantees issued by the Company's bankers towards disputed power tariff concession availed Rs.96,66,200 (2008 Rs.96,66,200), and (iii) Bills discounted with bankers Rs.2,84,65,403 (2008 Rs.4,07,45,968).


Schedule to the accounts (contd.)
24. Notes to the accounts

21. Raw materials consumed – others include consumption of yarn for manufacture of double/two-for-one yarn.
22. Power and fuel are net of (i) amount realised towards power generated through Wind energy converters and adjusted against the cost of power purchased from state electricity board Rs.8,59,41,751 (2008 Rs.8,50,82,505) and (ii) income from carbon credits Rs.1,65,58,074 (2008 Rs.3,36,41,279).
23. Human resources – Particulars of managerial remuneration (i) To Managing Director – Salary Rs.14,40,000 (2008 Rs.21,60,000), Perquisites Rs.9,60,000 (2008 Rs.14,40,000), (ii) To Joint Managing Directors – Salary Rs.16,00,000 (2008 Rs.24,00,000), Perquisites Rs.10,40,000 (2008 Rs.16,80,000), (iii) To Whole-time Director – Salary Rs.7,20,000 (2008 Rs.14,40,000), Perquisites Rs.4,80,000 (2008 Rs.9,60,000).
24. Other expenses – (i) Exchange differences-net include unrealized loss of Rs.27,84,500 (2008 Rs.11,18,383); (ii) Donation and charity include contribution to Communist Party of India Rs.10,000 (2008 Rs. Nil), (iii) Miscellaneous expenses include payments to auditors for Financial audit Rs.2,80,000 (2008 Rs.2,80,000), Cost audit Rs.44,000 (2008 Rs.40,000), Taxation work Rs.95,000 (2008 Rs.95,000), Other work Rs.55,000 (2008 Rs.52,500) and Expenses reimbursed to Statutory auditors Rs.89,581 (2008 Rs.72,486), Cost auditors Rs.20,364 (2008 Rs.23,430).
25. Financial expenses – (i) Interest paid on fixed loans Rs.9,35,23,672 (2008 Rs.6,42,90,816) includes Rs. Nil (2008 Rs.38,295) to the Managing Director; and (ii) Bank and other financial charges include amortisation of loan raising expenses Rs. 9,40,010 (2008 Rs. 7,59,285).
26. Depreciation/amortisation – (i) In respect of computer software and trade name amortization has been made based on the useful life of five years and (ii) Amortised cenvat credit deducted from capital reserve has been netted against the depreciation charge relating to the concerned plant and machinery.
27. Exceptional item in 2008 represents the compensation received as one time settlement of Rs.3,46,50,000 from a supplier of wind energy converter for the short fall in power generation.

28. Employee benefits –

(i) Defined benefit plans as per Actuarial valuation on March 31, 2009

Rs. lakhs

	Gratuity (Funded)		Compensated Absences (Unfunded)	
	2009	2008	2009	2008
A. Expense recognised in the statement of Profit and Loss Account for the year ended March 31, 2009				
(i) Current service cost	20.85	17.86	1.35	1.78
(ii) Interest cost	16.17	13.94	10.89	0.75
(iii) Expected return on plan assets	(13.68)	(12.48)	—	—
(iv) Net actuarial (gain)/loss recognised during the year	37.77	16.78	7.33	1.35
(v) Total expenses	61.11	36.10	19.57	3.88
B. Actual return on plan assets				
(i) Expected return on plan assets	13.68	12.48		
(ii) Actuarial gain/(loss) on plan assets	0.09	(4.07)		
(iii) Actual return on plan assets	13.77	8.41		
C. Net Asset/(Liability) recognised in the Balance Sheet				
(i) Present value of the obligation	267.28	211.77	172.27	152.70
(ii) Fair value of plan assets	180.07	175.67	—	—
(iii) Funded status (surplus/ (deficit))	(87.21)	(36.10)	(172.27)	(152.70)
(iv) Unrecognised past service cost	—	—	—	—
(v) Net Asset/(Liability) recognised in the Balance Sheet	(87.21)	(36.10)	(172.27)	(152.70)



	Gratuity (Funded)		Compensated Absences (Unfunded)	
	2009	2008	2009	2008
D. Change in Present value of the obligation during the year				
(i) Present value of obligation as at beginning of the year	211.77	181.15	152.70	161.25
(ii) Current service cost	20.85	17.86	10.89	1.78
(iii) Interest cost	16.17	13.94	1.35	0.75
(iv) Benefits paid	(19.36)	(13.89)	—	(12.43)
(v) Actuarial (gain)/loss on obligation	37.85	12.71	7.33	1.35
(vi) Present value of obligation as at end of the year	267.28	211.77	172.27	152.70
E. Change in Assets during the year				
(i) Fair value of plan assets as at beginning of the year	175.67	144.85		
(ii) Expected return on plan assets	13.68	12.48		
(iii) Contributions	10.00	36.30		
(iv) Benefits paid	(19.36)	(13.89)		
(v) Actuarial (gain)/loss on plan assets	0.09	(4.07)		
(vi) Fair value of plan assets as at end of the year	180.08	175.67		
F. Experience adjustments in				
(i) Plan liabilities – loss/(gain)	37.85	12.71	7.33	1.35
(ii) Plan assets – loss/(gain)	0.09	(4.07)	—	—
G. Major categories of plan assets as a percentage of total plan				
(i) Government of India Securities	15 %	24 %		
(ii) State Government Securities	12 %	4 %		
(iii) High quality Corporate Bonds	10 %	10 %		
(iv) Special Deposit Scheme	10 %	9 %		
(v) Others (Bank deposits)	53 %	53 %		
(vi) Total	100 %	100 %		
H. Actuarial Assumptions				
(i) Discount rate	8 %	8 %	7.13 %	8 %
(ii) Salary escalation rate	6 %	4 %	6 %	4 %
(iii) Attrition rate	1 %	1 %	1 %	1 %
(iv) Expected rate of return on plan assets	9 %	8 %	0 %	0 %

(ii) Gratuity fund is recognised by the Income tax authorities and administered through trustees.

(iii) During the year, the Company has recognised the following amounts in the Profit and Loss account in Schedule 19:

- Salaries, wages and bonus include compensated absences of Rs.19,20,370 (2008 Rs.3,88,140).
- Contribution to provident, gratuity and other funds include contribution to Provident fund and family pension fund contribution of Rs.48,02,416 (2008 Rs.47,91,257) and gratuity fund of Rs.61,10,633 (2008 Rs.36,09,734).
- Workmen and staff welfare expenses include contribution to employee state insurance of Rs.17,79,858 (2008 Rs.17,64,199).

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

Signatures to Statement on Significant accounting policies, Schedules and Notes to the Accounts

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

R.S. Shanmugam
 Company Secretary and
 Chief Financial Officer

S. Dinakaran
 Joint Managing Director

Salem
 June 25, 2009

