



# Kandagiri Spinning Mills Ltd.

Ref.: KSML/CS/023/2020-21

Date: 30.07.2020

Bombay Stock Exchange Limited,  
Floor 25, P.J.Towers, Dalal Street,  
Mumbai 400 001

Dear Sir,

**Annual Audited Financial Results (Standalone and Consolidated) for the quarter/year ended 31.03.2020 along with Auditor's Report and Statement on Impact of Audit Qualifications**

Pursuant to regulation 33 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 we herewith enclosed Audited Financial Results (Standalone and Consolidated) for the quarter/year ended 31.03.2020 [which have duly reviewed by the Audit Committee and duly approved by the Board of Directors at their meeting today held today on 30.07.2020], along with Independent Auditor's Report and Statement on Impact of Audit Qualifications (for Audit Report with modified opinion).

Please take the same for your records

Thanking you,

Yours faithfully,

For Kandagiri Spinning Mills Limited

  
J. Asifa

Company Secretary

Encl.: As above



CIN : L17111TZ1976PLC000762

Regd. Off: Mill Premises, Udayapatti (P.O), P.B.No.3, Salem - 635 140. Phone : Mill 0427-2244400  
Fax:0427-2244422; Grams: SUPERSPINE; e-mail:sales@kandagirimills.com; Web.: www.kandagirimills.com



GSTIN: 33AABCK2694Q1Z1



**R. SUNDARARAJAN & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**  
**TO THE BOARD OF DIRECTORS OF KANDAGIRI SPINNING MILLS LIMITED**

**Report on the audit of the Consolidated Annual Financial Results**

**Qualified Opinion**

1. We have audited the consolidated annual financial results of **KANDAGIRI SPINNING MILLS LIMITED** (hereinafter referred to as the 'Parent Company') and its associate for the year ended March 31, 2020, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ('Listing Regulations').
2. In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate audited financial statements of the associate, the aforesaid standalone financial results:

(i) include the annual financial results of the following entity:

Associate:

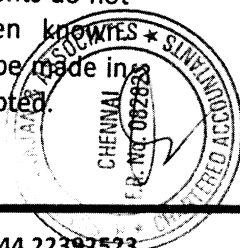
a. SPMM Health Care Services Private Limited

(ii) are presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and

(ii) give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013 (the 'Act') and other accounting principles generally accepted in India, of the net loss and other comprehensive income and other financial information of the Company and its associates for the year ended March 31, 2020.

**Basis for Qualified Opinion**

3. The company has been incurring losses over the years and earlier. During the year, (a) there has been erosion in net worth, (b) the company has ceased to produce yarn and the Plant and Machinery have been sold and (c) the remaining immovable property has been leased out. Consequently, although the Board of Directors hope to continue engaging inter alia in trading in Yarn, and deem the decision to sell assets and cease yarn production as interim measures to stem losses, we are of the opinion that these factors indicate existence of material uncertainty in the Company's ability to continue as a going concern. The attached financial statements do not include any adjustments that might result had the above uncertainties been known. Management has represented in this regard that there is no further adjustments to be made in the carrying values/financial statements even if the Going Concern Concept is not adopted.



4. We have conducted our audit in accordance with the Standards on Auditing ('SA') specified under section 143 (10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Annual Financial Results section of our report. We are independent of the Company and its associate, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act, and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion on the Consolidated Annual Financial results.

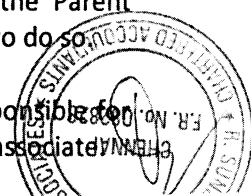
#### **Emphasis of Matter**

5. We draw your attention to Note 7 of the Consolidated Annual Financial results which explains the uncertainties and the management's assessment of the potential impact due to lock-downs and other restrictions and conditions related to the COVID-19 pandemic situation and consequently the Company's results are highly dependent upon future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

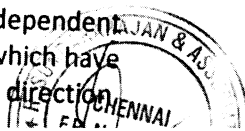
#### **Management's and Board of Directors' Responsibilities for the Standalone Annual Financial Results**

6. These Consolidated financial results have been prepared on the basis of the Consolidated annual Ind AS financial statements. The Parent Company's Management and the Board of Directors are responsible for the preparation and presentation of these Consolidated Annual Financial Results that give a true and fair view of the net profit/loss and other comprehensive income and other financial information of the Parent Company and its associate in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. The respective Board of Directors of the Parent Company and its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the parent company and its associates and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Annual Financial Results that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial results by the Directors of the Parent Company, as aforesaid.
7. In preparing the Consolidated Annual Financial Results, the respective Management and the Board of Directors of the Parent Company and its associate are responsible for assessing the Company's ability of the Parent Company and its associates to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Parent Company and its associates or to cease operations, or has no realistic alternative but to do so.
8. The respective Board of Directors of the Parent Company and its associate are responsible for overseeing the Company's financial reporting process of the Parent Company and its associate.



## Auditor's Responsibility for the Audit of the Consolidated Financial Results

9. Our objectives are to obtain reasonable assurance about whether the Consolidated Annual Financial Results as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Annual Financial Results.
10. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the Consolidated Annual Financial Results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143 (3) (i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the Standalone Annual Financial Results made by the Management and Board of Directors.
  - Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone Annual Financial Results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company and its associate to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the Consolidated Annual Financial Results, including the disclosures, and whether the Consolidated Annual Financial Results represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial results of the associate to express an opinion on the consolidated annual financial results. We are responsible for the direction, supervision and performance of the audit of financial information of such entity included in the consolidated annual financial results of which we are the independent auditors. For the other entities included in consolidated annual financial results, which have been audited by other auditors, such other auditors remain responsible for the direction



supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

11. We communicate with those charged with governance of the Parent Company and such other entities included in the consolidated annual financial results of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
12. We also performed procedures in accordance with the circular issued by SEBI under Regulation 33(8) of the Listing Regulations, as amended, to the extent applicable.

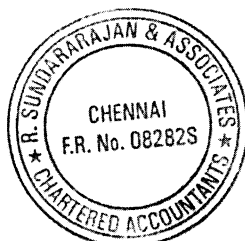
#### Other Matters

13. The consolidated annual financial results include the share of net profit after tax of Rs.3.11 lakhs loss of Rs.4.38 lakhs for the year ended March 31, 2020 and for the period from January 1, 2020 to March 31, 2020 respectively, as considered in the consolidated annual financial results, in respect of one associate, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated annual financial results, in so far it relates to the amounts and disclosures included in respect of these associate, is based solely on the reports of the other auditors and the procedures performed by us as stated in paragraph 11 above.
14. Our opinion on the Consolidated Annual Financial Results is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.
15. The Consolidated Annual Financial Results include the results for the quarter ended March 31, 2020 being the balancing figures between the audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the current financial year, which are subject to limited review and not subjected to audit.
16. The Consolidated Annual Financial Results dealt with by this report has been prepared for the express purpose of filing with BSE Limited. These results are based on and should be read with the Audited Consolidated Ind AS financial statements of the Parent Company and its associates for the year ended March 31, 2020 on which we issued an modified audit opinion vide our report dated July 30, 2020.

For R. Sundararajan & Associates  
Chartered Accountants  
Registration No. 08282S

  
S. Krishnan  
Partner  
Membership No. 26452

UDIN: 20026452 AAAAB06965

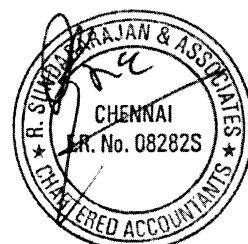


July 30, 2020  
Salem

**KANDAGIRI SPINNING MILLS LIMITED (CIN : L17111TZ1976PLC000762)**  
**Regd. Office : Mill Premises, Udayapatti (P.O.), Salem 636 140**  
**e-mail : sales@kandagirimills.com; website : www.kandagirimills.com**  
**STATEMENT OF CONSOLIDATED AUDITED FINANCIAL RESULTS FOR THE QUARTER/YEAR ENDED MARCH 31, 2020**

Rs. lakhs

S.No.	Particulars	Quarter ended			Year ended	
		31.03.2020	31.12.2019	31.03.2019	31.03.2020	31.03.2019
		Unaudited			Audited	Audited
I	Revenue from Operations	483.03	354.61	1,404.08	2,657.12	6,954.63
II	Other Income	514.93	160.66	-2.25	678.31	138.74
III	<b>Total Income (I+II)</b>	<b>997.96</b>	<b>515.27</b>	<b>1,401.83</b>	<b>3,335.43</b>	<b>7,093.37</b>
IV	<b>EXPENSES</b>					
	Cost of materials consumed	116.77	462.27	1,073.13	1,913.15	5,163.42
	Changes in inventories of finished goods and work-in-progress	605.46	-80.81	58.50	429.58	437.86
	Employee benefits expenses	67.62	89.25	87.59	405.67	814.16
	Finance costs	116.30	108.09	139.31	501.62	639.91
	Depreciation	41.06	56.67	58.56	211.08	320.79
	Other expenses	389.00	132.91	218.30	863.47	1,299.92
	<b>Total Expenses</b>	<b>1,336.21</b>	<b>768.38</b>	<b>1,635.39</b>	<b>4,324.57</b>	<b>8,676.06</b>
V	Profit/(loss) before share of profit of associate (III-IV)	(338.25)	(253.11)	(233.56)	(989.14)	(1,582.69)
VI	Share of profit of associate	(4.38)	1.04	3.00	3.11	12.33
VII	Profit/(loss) before exceptional item and tax (V-VI)	(342.63)	(252.07)	(230.56)	(986.03)	(1,570.36)
VIII	Exceptional items (Refer note 4)	(48.49)	-	-	(48.49)	(276.78)
IX	Profit/(loss) before tax (VII-VIII)	(391.12)	(252.07)	(230.56)	(1,034.52)	(1,847.14)
X	Tax expense:					
	(1) Current tax	40.00	-	-	40.00	-
	(2) MAT credit utilised	632.07	-	-	632.07	-
	(3) Deferred tax	(474.09)	-	-	(474.09)	-
XI	Profit/ (Loss) for the period from continuing operations (IX-X)	(589.10)	(252.07)	(230.56)	(1,232.50)	(1,847.14)
XII	Other Comprehensive Income					
	A (i) Items that will not be reclassified to profit and loss					
	Remeasurement of Defined benefits plan	82.85	(1.08)	(30.15)	79.61	(4.32)
	(ii) Income tax relating to items that will not be reclassified to profit and loss	-	-	-	-	-
	B (i) Items that will be reclassified to profit and loss					
	(ii) Income tax relating to items that will be reclassified to profit and loss					
	<b>Total Other Comprehensive Income</b>	<b>82.85</b>	<b>(1.08)</b>	<b>(30.15)</b>	<b>79.61</b>	<b>(4.32)</b>
XIII	<b>Total Comprehensive Income for the period (XI+XII)</b> <b>(Comprising Profit (Loss) and Other Comprehensive Income for the period)</b>	<b>(506.25)</b>	<b>(253.15)</b>	<b>(260.71)</b>	<b>(1,152.89)</b>	<b>(1,851.46)</b>
XIV	Earnings per equity share of Rs.10/- each: (not annualised)					
	Basic and Diluted	<b>(13.12)</b>	<b>(6.56)</b>	<b>(6.76)</b>	<b>(29.89)</b>	<b>(48.00)</b>
XV	Paid Up Equity Share Capital ( Face Value Rs. 10/- each)	385.75	385.75	385.75	385.75	385.75
XVI	Other equity				(967.11)	185.78

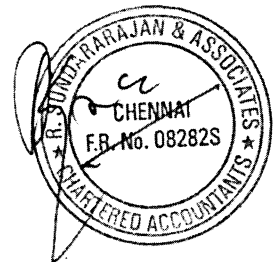
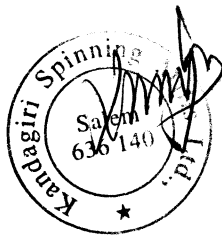


VAIN 20026452AAAABM735

**Consolidated Statement of Assets, Equity and Liabilities**

**Consolidated Balance Sheet as at 31, 2020**

Particulars	Note No.	Rs. lakhs	
		31.03.2020 Audited	31.03.2019 Audited
<b>Non current assets</b>	1	1,154.72	2,641.42
Property, plant and equipment			
<b>Financial assets</b>	2	129.54	126.68
Investments	3	140.33	195.11
Loans	4	2.22	20.70
Advance tax assets(net)	5	2.00	354.13
Other non-current assets	16	0.00	157.98
Deferred tax assets (net)		1,428.81	3,496.02
Non-current assets ( A )			
<b>Current assets</b>	6	79.29	1,515.80
Inventories			
<b>Financial assets</b>	7	302.65	287.37
Trade receivables	8a	5.70	2.75
Cash and cash equivalents	8b	9.97	12.51
Other Bank balances	9	2.72	8.21
Others	10	0.63	19.17
Other current assets	11	-	2,550.00
Assets held for sale		400.96	4,395.81
Current assets ( B )		1,829.77	7,891.83
<b>Total assets ( A ) + ( B )</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	12	385.74	385.74
Equity share capital	13	(967.11)	185.78
Other equity		(581.37)	571.52
Equity ( C )			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>	14	1,286.92	2,314.86
Borrowings	15	-	156.08
Provisions		1,286.92	2,470.94
Non current liabilities ( D )			
<b>Current liabilities</b>			
<b>Financial liabilities</b>	17	-	2,238.08
Borrowings	18		
Trade payables			0.47
-Total outstanding dues of micro enterprises and small enterprises		196.40	597.45
-Total outstanding dues of creditors other than micro enterprises and small enterprises		-	-
Provisions	19	-	3.21
Other financial liabilities	20	420.21	972.79
Other current liabilities	21	507.61	1,037.37
Current liabilities ( E )		1,124.22	4,849.37
<b>Total equity and liabilities ( C ) + ( D ) + ( E )</b>		1,829.77	7,891.83

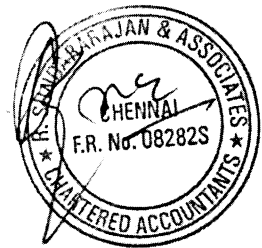
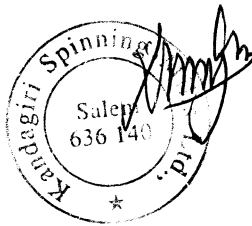


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**Consolidated Statement of Cash Flows**

Rs. lakhs

Particulars	31.03.2020	31.03.2019
<b>Cash flow from operating activities</b>		
Profit/ (Loss) before tax	(1,034.52)	(1,847.14)
<b>Adjustments for -</b>		
Share of profit of associate	(3.11)	(12.33)
Depreciation & Amortisation expense	211.08	320.79
Interest expense	501.62	639.91
Interest income	(4.71)	(15.40)
Dividend income	-	(0.65)
(Profit)/loss on sale of property, plant and machinery	(514.31)	(122.69)
(Profit)/loss on sale of long term investments	-	17.89
Impairment loss on assets	48.49	276.78
<b>Operating profit/ (loss) before working capital changes</b>	<b>(795.46)</b>	<b>(742.84)</b>
<b>Adjustments for changes in -</b>		
Inventories	1,436.51	1,156.58
Trade receivables	(15.28)	(4.71)
Non current and current Financial Assets	62.82	174.07
Other non current and current assets	370.67	67.69
Trade payables	(401.52)	147.03
Non current and current Financial Liabilities	(2,477.54)	(1,300.81)
Other Non current and current Liabilities	(529.76)	(44.64)
Other Non current and Current provisions	(159.29)	0.27
<b>Cash generated from operations</b>	<b>(2,508.85)</b>	<b>(547.36)</b>
Income Tax (net)	18.49	(5.73)
<b>Net cash from operating activities</b>	<b>(2,490.36)</b>	<b>(553.09)</b>
<b>Cash flow from investing activities</b>		
Payments for acquisition of Property, plant and equipment	26.07	(216.93)
Proceeds from sale of Property, plant and equipment	4,365.00	227.91
Advance received for sale of undertakings	-	1,029.00
Interest received	4.71	15.40
Dividend Received	-	0.65
Purchase of shares	-	(0.25)
Sale proceeds from sale of shares	-	40.91
<b>Net cash from investing activities</b>	<b>4,395.78</b>	<b>1,096.69</b>
<b>Cash flow from financing activities</b>		
Finance cost paid	(501.62)	(639.91)
Proceeds from inter corporate deposit	-	50.00
Proceeds from long term borrowings - money received from directors	30.15	319.20
Repayment of inter corporate deposit	(516.00)	(84.00)
Repayment of long term borrowings	(915.00)	(194.66)
<b>Net cash (used in) financing activities</b>	<b>(1,902.47)</b>	<b>(549.37)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2.95</b>	<b>(5.77)</b>
<b>Cash and cash equivalents</b>		
At beginning	2.75	8.52
At end	5.70	2.75
<b>NET INCREASE/ (DECREASE) IN CASH</b>	<b>2.95</b>	<b>(5.77)</b>



UDIN 20026452AAABM7356



**Notes**

- The above audited consolidated financial results were reviewed by the Audit Committee and then approved by the Board of Directors at its meeting held on July 30, 2020.
- The company has been incurring losses over the years and upto the third quarter of the current year. However the networth had remained positive and consequently, the textile business continued to be carried on. The Board of Directors had initiated a number of steps to reduce fixed costs, recover higher raw material costs through higher price realization of yarn and negotiate lower borrowing/finance cost. These efforts could not effect a turnaround in the fortunes of the company and in the light of erosion in net worth in the fourth quarter, the refusal of bankers to lend further monies and their request to settle their dues and prevalent economic conditions, the company decided in March 2020 to cease yarn production, sell the Plant and Machinery, lease the immovable property and retire the liabilities to the extent possible. The Stock exchange and other regulatory authorities have been duly informed. It may also be recalled that necessary approvals for disposal of assets had already been obtained. Necessary funds for retirement of dues and settlement of liabilities have been provided by the Directors/Promoters.

The quality of goods produced hitherto by company has generated goodwill & brand image that the Board of Directors hope to continue to use by engaging inter alia in trading in Yarn. The cessation of Production of Yarn is thus to be viewed as an interim drastic measure to stem losses, protect shareholders' interests and retire all the bank liabilities to protect the reputation and credit ratings of the company. The situation arising out of Covid-19 Pandemic has justified the decision of the Board of Directors. The lease rentals from lease of Land and Building and the assurance of infusion by the Promoters of further interest-free funds as and when deemed necessary will ensure that all remaining liabilities will be fully discharged and accordingly, the Board of Directors deem it fit to continue adoption of Going Concern Concept in preparation of the financial statements although the Statutory auditors have qualified their opinion wrt the same.

- As stated in clause 2 above, the Board of Directors had enforced controls over raw material price, linking it to Yarn price realization, recoupment of losses incurred wherever possible etc. However, with (i) Liquidity constraints and cash & carry conditions, the higher price of fine cotton used in the branded goods of the company could not be realized, (ii) the decision to cease manufacturing activity & realise monies to retire debts, there has been pressure to quickly dispose of all Inventory at available prices. Consequently, the value of goods sold is higher as compared to sale price realized. The actual impact of this is not ascertainable and therefore not classified separately as an 'Exceptional Item'.
- The Company is principally engaged in a single business segment viz. yarn based on nature of products, risks, returns and the internal business reporting system and accordingly there is no other reportable segment in terms of Ind AS 108 'Operating Segments'.
- Ind AS 116 'Leases' has been adopted with effect from 1.4.2019 using 'Modified Retrospective Method'. The adoption did not have any significant impact on overall results.

**6 Exceptional items consists of:**

Particulars	Quarter ended			Year ended	Year ended
	31.03.2020	31.12.2019	31.03.2019	31.03.2020	31.03.2019
	Unaudited			Audited	Audited
(i) Impairment loss of capital advances	(48.49)			(48.49)	
(ii) Impairment loss of property, plant and equipment					(276.78)

(i) Since the company has closed its manufacturing activities, the Board of Directors, by way of abundant caution, have provided for capital advance of Rs.48.49 lakhs.

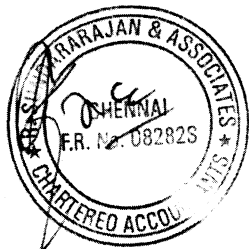
(ii) During the earlier year, pursuant to the approval of the shareholders, prospective customers had been identified for sale of Unit II and part of Unit I undertakings. Consequently, the carrying value of the net assets of the said undertakings have been reclassified and disclosed as 'Assets held for sale' in the Statement of Assets and Liabilities. Further, pursuant to the proposed sale, the carrying value of the undertakings had been reflected at the contracted values and the consequent impairment loss considered and disclosed as an Exceptional item.

- The outbreak of Coronavirus (COVID 19) pandemic globally and in India is causing significant disturbance and slowdown of economic activity. In such a situation, the Company has taken due care in concluding on accounting judgements and estimates and while assessing the recoverability of Company's assets such as Trade receivables, inventories etc., the Company has considered internal and external information upto the date of approval of these financial results and expects to recover the carrying amount of the asset. The actual impact of the pandemic may be different from that which has been estimated, as the COVID-19 situation evolves in India and globally.
- The figures for the quarters ended March 31, 2020 and March 31, 2019 are the balancing figures between the audited figures in respect of the full financial year and the published year to date figures upto the quarter ended December 31, 2019 and December 31, 2018 respectively, which were subject to limited review by the statutory auditors.
- The previous period figures have been regrouped/reclassified wherever necessary to conform to current period classification.

For Kandagiri Spinning Mills Limited

  
S. Selvarajan  
Managing Director  
DIN : 00001910

Salem  
July 30, 2020



UDIN: 20026452-AAAA-BM7356

## KANDAGIRI SPINNING MILLS LIMITED

Regd. Office: Post Box No.3, Mill Premises, Udayapatti P.O, Salem 636 140  
CIN: L17111TZ1976PLC000762; Ph.No:0427-2244400; Fax: 0427-2244422  
E-mail:sales@kandagirimills.com; Web: [www.kandagirimills.com](http://www.kandagirimills.com)

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Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along with Annual Audited Financial Results (Consolidated) for the year ended 31.03.2020

Statement on Impact of Audit Qualifications for the financial year ended March 31, 2020 [Regulation 33 of SEBI (LODR) Amendment Regulations, 2016]				
I	Sl. No	Particulars	Audited Figures (as reported before adjusting for qualification) (Rs. lakhs)	Audited Figures (audited figures after adjusting for qualifications) (Rs. lakhs)
	1.	Turnover/ Total Income	3335.43	3335.43
	2.	Total expenditure	4324.57	4324.57
	3.	Net Profit/(Loss) including comprehensive income	(1152.89)	(1152.89)
	4.	Earnings Per share	(29.89)	(29.89)
	5.	Total Assets	1829.77	1829.77
	6.	Total Liabilities (excluding networth)	2411.14	2411.14
	7.	Net worth	(581.37)	(581.37)
	8.	Any other financial item(s) as felt appropriate by the Management	Nil	Nil
<b>II</b>				
<b>Audit Qualification (each audit qualification separately)</b>				
	a.	<b>Details of Audit Qualification:</b> The company has been incurring losses over the years and earlier. During the year, (a) there has been erosion in net worth, (b) the company has ceased to produce yarn and the Plant and Machinery have been sold and (c) the remaining immovable property has been leased out. Consequently, although the Board of Directors hope to continue engaging inter alia in trading in Yarn, and deem the decision to sell assets and cease yarn production as interim measures to stem losses, we are of the opinion that these factors indicate existence of material uncertainty in the Company's ability to continue as a going concern. The attached financial statements do not include any adjustments that might result had the above uncertainties been known. Management has represented in this regard that there is no further adjustments to be made in the carrying values/financial statements even if the Going Concern Concept is not adopted		
	b.	<b>Type of Audit Qualification: Qualified Opinion</b>		
	c.	<b>Frequency of qualification: First Time</b>		
	d.	<b>For Audit Qualification(s) where the impact is quantified by the Auditor, Management views: Not applicable</b>		

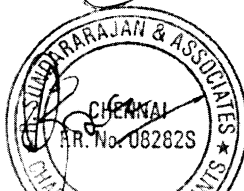
**Signatories:**

Managing Director

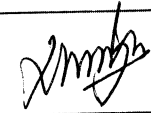
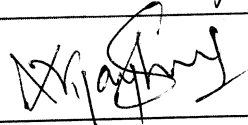
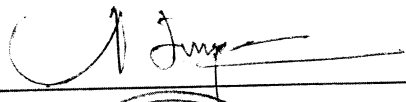
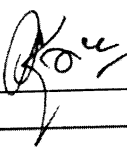
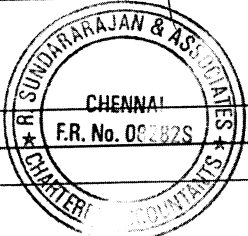
CFO

Audit Committee Chairman

Statutory Auditor



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	<p>e. For Audit Qualification(s) where the impact is not quantified by the Auditor:</p> <p>(i) Management's estimation on the impact of audit qualification: Not applicable</p> <p>(ii) If Management is unable to estimate the impact, reasons for the same:                  The company has been incurring losses over the years and upto the third quarter of the current year. However the networth had remained positive and consequently, the yarn/textile business continued to be carried on. The Board of Directors had initiated a number of steps to reduce fixed costs, recover higher raw material costs through higher price realization of Yarn and negotiate lower borrowing/finance cost. These efforts could not effect a turnaround in the fortunes of the company and in the light of erosion in net worth in the fourth quarter, the refusal of bankers to lend further monies and their request to settle their dues and prevalent economic conditions, the company decided in March 2020 to cease yarn production, sell the Plant and Machinery, lease the immovable property and retire the liabilities to the extent possible. The Stock exchange and other regulatory authorities have been duly informed. It may also be recalled that necessary approvals from the shareholders for disposal of assets had already been obtained.                  Necessary funds for retirement of dues and settlement of liabilities have been provided by the Directors/Promoters.                  The quality of goods produced hitherto by company has generated goodwill and brand image that the Board of Directors hope to continue to use by engaging inter-alia in trading in Yarn. The cessation of Production of Yarn is thus to be viewed as an interim drastic measure to stem losses, protect shareholders' interests and retire all the bank liabilities to protect the reputation and credit ratings of the company. The situation arising out of Covid-19 Pandemic has justified the decision of the Board of Directors. The lease rentals from lease of Land and Building and the assurance of infusion by the Promoters of further interest-free funds as and when deemed necessary will ensure that all remaining liabilities will be fully discharged and accordingly, the Board of Directors deem it fit to continue adoption of Going Concern Concept in preparation of the financial statements although the Statutory auditors have qualified their opinion with respect to the same.</p> <p>(iii) Auditor's Comments on (i) or (ii) above:                  Management's explanation on the impact of Audit qualification as stated in clause (ii) above have been reviewed and we have no further comments</p>
<p>III</p>	<p>Signatories:</p> <ul style="list-style-type: none"> <li>• Managing Director: </li> <li>• CFO: </li> <li>• Audit Committee Chairman: </li> <li>• Statutory Auditor: </li> </ul> <p>Place: Salem</p> <p>Date: 30.07.2020</p> 



**R. SUNDARARAJAN & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**  
**TO THE BOARD OF DIRECTORS OF KANDAGIRI SPINNING MILLS LIMITED**

**Report on the audit of the Standalone Annual Financial Results**

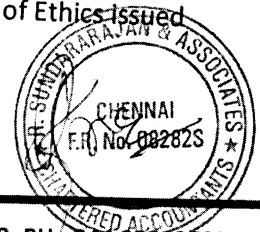
**Qualified Opinion**

1. We have audited the standalone annual financial results of **KANDAGIRI SPINNING MILLS LIMITED** (hereinafter referred to as the 'Company') for the year ended March 31, 2020, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ('Listing Regulations').
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial results:
  - (i) are presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and
  - (ii) give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013 (the 'Act') and other accounting principles generally accepted in India, of the net loss and other comprehensive income and other financial information of the Company for the year ended March 31, 2020.

**Basis for Qualified Opinion**

3. The company has been incurring losses over the years and earlier. During the year, (a) there has been erosion in net worth, (b) the company has ceased to produce yarn and the Plant and Machinery have been sold and (c) the remaining immovable property has been leased out. Consequently, although the Board of Directors hope to continue engaging inter alia in trading in Yarn, and deem the decision to sell assets and cease yarn production as interim measures to stem losses, we are of the opinion that these factors indicate existence of material uncertainty in the Company's ability to continue as a going concern. The attached financial statements do not include any adjustments that might result had the above uncertainties been known. Management has represented in this regard that there is no further adjustments to be made in the carrying values/financial statements even if the Going Concern Concept is not adopted.

We have conducted our audit in accordance with the Standards on Auditing ('SA') specified under section 143 (10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone Annual Financial Results section of our report. We are independent of the Company, in accordance with the Code of Ethics issued



by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act, and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion on the Standalone Annual Financial results.

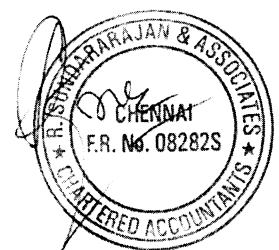
#### **Emphasis of Matter**

4. We draw your attention to Note 7 of the Standalone Annual Financial results which explains the uncertainties and the management's assessment of the potential impact due to lock-downs and other restrictions and conditions related to the COVID-19 pandemic situation and consequently the Company's results are highly dependent upon future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

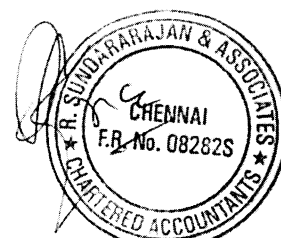
#### **Management's and Board of Directors' Responsibilities for the Standalone Annual Financial Results**

5. These Standalone financial results have been prepared on the basis of the standalone annual Ind AS financial statements. The Company's Management and the Board of Directors are responsible for the preparation and presentation of these Standalone Annual Financial Results that give a true and fair view of the net profit/loss and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Annual Financial Results that give a true and fair view and are free from material misstatement, whether due to fraud or error.
6. In preparing the Standalone Annual Financial Results, the Management and the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
7. The Board of Directors of the Company are responsible for overseeing the Company's financial reporting process.



## **Auditor's Responsibility for the Audit of the Standalone Financial Results**

8. Our objectives are to obtain reasonable assurance about whether the Standalone Annual Financial Results as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Annual Financial Results.
9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the Standalone Annual Financial Results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143 (3) (i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the Standalone Annual Financial Results made by the Management and Board of Directors.
  - Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone Annual Financial Results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the Standalone Annual Financial Results, including the disclosures, and whether the Standalone Annual Financial Results represent the underlying transactions and events in a manner that achieves fair presentation.

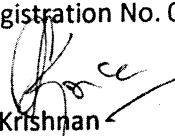


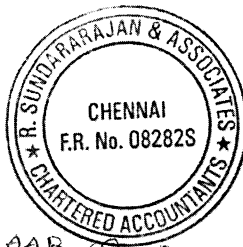
10. We communicate with those charged with governance of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Other Matters

11. The Standalone Annual Financial Results include the results for the quarter ended March 31, 2020 being the balancing figures between the audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the current financial year, which are subject to limited review and not subjected to audit.
12. The Standalone Annual Financial Results dealt with by this report has been prepared for the express purpose of filing with BSE Limited. These results are based on and should be read with the audited standalone Ind AS financial statements of the Company for the year ended March 31, 2020 on which we issued an modified audit opinion vide our report dated July 30, 2020.

For R. Sundararajan & Associates  
Chartered Accountants  
Registration No. 08282S

  
S. Krishnan  
Partner  
Membership No. 26452  
UDIN : 2002652AAAABN9103

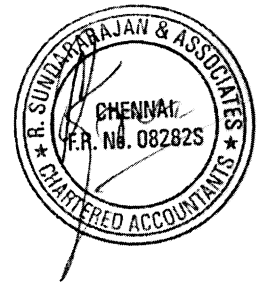
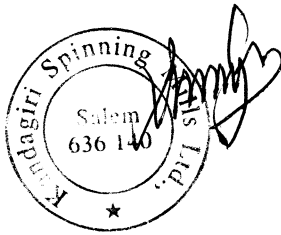


July 30, 2020  
Salem

**KANDAGIRI SPINNING MILLS LIMITED (CIN : L17111TZ1976PLC000762)**  
**Regd. Office : Mill Premises, Udayapatti (P.O.), Salem 636 140**  
**e-mail : sales@kandagirimills.com; website : www.kandagirimills.com**  
**STATEMENT OF STANDALONE AUDITED FINANCIAL RESULTS FOR THE QUARTER/YEAR ENDED MARCH 31, 2020**

Rs. lakhs

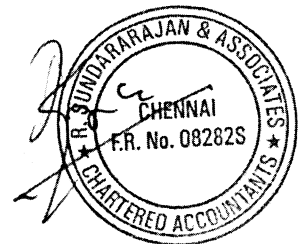
S.No.	Particulars	Quarter ended			Year ended	
		31.03.2020	31.12.2019	31.03.2019	31.03.2020	31.03.2019
		Unaudited			Audited	Audited
I	Revenue from Operations	483.03	354.61	1,404.08	2,657.12	6,954.63
II	Other Income	514.93	160.66	-2.25	678.31	138.74
III	<b>Total Income (I+II)</b>	<b>997.96</b>	<b>515.27</b>	<b>1,401.83</b>	<b>3,335.43</b>	<b>7,093.37</b>
IV	<b>EXPENSES</b>					
	Cost of materials consumed	116.77	462.27	1,073.13	1,913.15	5,163.42
	Changes in inventories of finished goods and work-in-progress	605.46	-80.81	58.50	429.58	437.86
	Employee benefits expenses	67.62	89.25	87.59	405.67	814.16
	Finance costs	116.30	108.09	139.31	501.62	639.91
	Depreciation	41.06	56.67	58.56	211.08	320.79
	Other expenses	389.00	132.91	218.30	863.47	1,299.92
	<b>Total Expenses</b>	<b>1,336.21</b>	<b>768.38</b>	<b>1,635.39</b>	<b>4,324.57</b>	<b>8,676.06</b>
V	Profit/(loss) before exceptional items and tax (III-IV)	(338.25)	(253.11)	(233.56)	(989.14)	(1,582.69)
VI	Exceptional items (Refer note 4)	(48.49)	-	-	(48.49)	(276.78)
VII	Profit/(loss) before tax (V-VI)	(386.74)	(253.11)	(233.56)	(1,037.63)	(1,859.47)
VIII	Tax expense:					
	(1) Current tax	40.00	-	-	40.00	-
	(2) MAT credit utilised	632.07	-	-	632.07	-
	(3) Deferred tax	(474.09)	-	-	(474.09)	-
IX	Profit/ (Loss) for the period from continuing operations (VII-VIII)	(584.72)	(253.11)	(233.56)	(1,235.61)	(1,859.47)
X	Other Comprehensive Income					
A	(i) Items that will not be reclassified to profit and loss					
	Remeasurement of Defined benefits plan	82.85	(1.08)	(30.15)	79.61	(4.32)
	(ii) Income tax relating to items that will not be reclassified to profit and loss	-	-	-	-	-
B	(i) Items that will be reclassified to profit and loss					
	(ii) Income tax relating to items that will be reclassified to profit and loss					
	<b>Total Other Comprehensive Income</b>	<b>82.85</b>	<b>(1.08)</b>	<b>(30.15)</b>	<b>79.61</b>	<b>(4.32)</b>
XI	<b>Total Comprehensive Income for the period (IX+X)</b> <b>(Comprising Profit (Loss) and Other Comprehensive Income for the period)</b>	<b>(501.87)</b>	<b>(254.19)</b>	<b>(263.71)</b>	<b>(1,156.00)</b>	<b>(1,863.79)</b>
XII	Earnings per equity share of Rs.10/- each: (not annualised)					
	Basic and Diluted	(13.01)	(6.59)	(6.84)	(29.97)	(48.32)
XIII	Paid Up Equity Share Capital ( Face Value Rs. 10/- each)	385.75	385.75	385.75	385.75	385.75
XIV	Other equity				(941.94)	214.06



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<b>Standalone Statement of Assets, Equity and Liabilities</b>		<b>Rs. lakhs</b>	
<b>Standalone Balance Sheet as at 31, 2020</b>		<b>31.03.2020</b>	<b>31.03.2019</b>
<i>Particulars</i>	<i>Note No.</i>	<i>Audited</i>	<i>Audited</i>
<b>Non current assets</b>			
Property, plant and equipment	1	1,154.72	2,641.42
Financial assets	2	154.71	154.96
Investments	3	140.33	195.11
Loans	4	2.22	20.70
Advance tax assets (net)	5	2.00	354.13
Other non-current assets	16	0.00	157.98
Deferred tax assets (net)			
<b>Non-current assets (A)</b>		<b>1,453.98</b>	<b>3,524.30</b>
<b>Current assets</b>			
Inventories	6	79.29	1,515.80
Financial assets	7	302.65	287.37
Trade receivables	8a	5.70	2.75
Cash and cash equivalents	8b	9.97	12.51
Other Bank balances	9	2.72	8.21
Others	10	0.63	19.17
Other current assets	11	-	2,550.00
Assets held for sale			
<b>Current assets (B)</b>		<b>400.96</b>	<b>4,395.81</b>
<b>Total assets (A) + (B)</b>		<b>1,854.94</b>	<b>7,920.11</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	12	385.74	385.74
Other equity	13	(941.94)	214.06
<b>Equity (C)</b>		<b>(556.20)</b>	<b>599.80</b>
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	14	1,286.92	2,314.86
Provisions	15	-	156.08
<b>Non current liabilities (D)</b>		<b>1,286.92</b>	<b>2,470.94</b>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	17	-	2,238.08
Trade payables	18	-	0.47
-Total outstanding dues of micro enterprises and small enterprises		196.40	597.45
-Total outstanding dues of creditors other than micro enterprises and small enterprises		-	3.21
Provisions	19	-	3.21
Other financial liabilities	20	420.21	972.79
Other current liabilities	21	507.61	1,037.37
<b>Current liabilities (E)</b>		<b>1,124.22</b>	<b>4,849.37</b>
<b>Total equity and liabilities (C) + (D) + (E)</b>		<b>1,854.94</b>	<b>7,920.11</b>

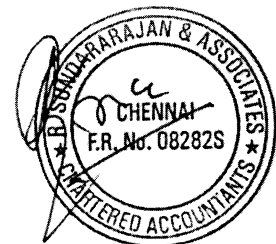


UDIN: 20026452AAAABL8206

**Standalone Statement of Cash Flows**

Rs. lakhs

Particulars	31.03.2020	31.03.2019
<b>Cash flow from operating activities</b>		
Profit/ (Loss) before tax	(1,037.63)	(1,859.47)
<b>Adjustments for -</b>		
Depreciation & Amortisation expense	211.08	320.79
Interest expense	501.62	639.91
Interest income	(4.71)	(15.40)
Dividend income	-	(0.65)
(Profit)/loss on sale of property, plant and machinery	(514.31)	(122.69)
(Profit)/loss on sale of long term investments	-	17.89
Impairment loss on assets	48.49	276.78
<b>Operating profit/ (loss) before working capital changes</b>	<b>(795.46)</b>	<b>(742.84)</b>
<b>Adjustments for changes in -</b>		
Inventories	1,436.51	1,156.58
Trade receivables	(15.28)	(4.71)
Non current and current Financial Assets	62.82	174.07
Other non current and current assets	370.67	67.69
Trade payables	(401.52)	147.03
Non current and current Financial Liabilities	(2,477.54)	(1,300.81)
Other Non current and current Liabilities	(529.76)	(44.64)
Other Non current and Current provisions	(159.29)	0.27
<b>Cash generated from operations</b>	<b>(2,508.85)</b>	<b>(547.36)</b>
Income Tax (net)	18.49	(5.73)
<b>Net cash from operating activities</b>	<b>(2,490.36)</b>	<b>(553.09)</b>
<b>Cash flow from investing activities</b>		
Payments for acquisition of Property, plant and equipment	26.07	(216.93)
Proceeds from sale of Property, plant and equipment	4,365.00	227.91
Advance received for sale of undertakings	-	1,029.00
Interest received	4.71	15.40
Divident Received	-	0.65
Purchase of shares	-	(0.25)
Sale proceeds from sale of shares	-	40.91
<b>Net cash from investing activities</b>	<b>4,395.78</b>	<b>1,096.69</b>
<b>Cash flow from financing activities</b>		
Finance cost paid	(501.62)	(639.91)
Proceeds from inter corporate deposit	-	50.00
Proceeds from long term borrowings - money received from directors	30.15	319.20
Repayment of inter corporate deposit	(516.00)	(84.00)
Repayment of long term borrowings	(915.00)	(194.66)
<b>Net cash (used in) financing activities</b>	<b>(1,902.47)</b>	<b>(549.37)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2.95</b>	<b>(5.77)</b>
<b>Cash and cash equivalents</b>		
At beginning	2.75	8.52
At end	5.70	2.75
<b>NET INCREASE/ (DECREASE) IN CASH</b>	<b>2.95</b>	<b>(5.77)</b>



CYN : 20026452AAAABL8206

**Notes**

- The above audited standalone financial results were reviewed by the Audit Committee and then approved by the Board of Directors at its meeting held on July 30, 2020.
- The company has been incurring losses over the years and upto the third quarter of the current year. However the networth had remained positive and consequently, the textile business continued to be carried on. The Board of Directors had initiated a number of steps to reduce fixed costs, recover higher raw material costs through higher price realization of yarn and negotiate lower borrowing/finance cost. These efforts could not effect a turnaround in the fortunes of the company and in the light of erosion in net worth in the fourth quarter, the refusal of bankers to lend further monies and their request to settle their dues and prevalent economic conditions, the company decided in March 2020 to cease yarn production, sell the Plant and Machinery, lease the immovable property and retire the liabilities to the extent possible. The Stock exchange and other regulatory authorities have been duly informed. It may also be recalled that necessary approvals for disposal of assets had already been obtained. Necessary funds for retirement of dues and settlement of liabilities have been provided by the Directors/Promoters.

The quality of goods produced hitherto by company has generated goodwill & brand image that the Board of Directors hope to continue to use by engaging inter alia in trading in Yarn. The cessation of Production of Yarn is thus to be viewed as an interim drastic measure to stem losses, protect shareholders' interests and retire all the bank liabilities to protect the reputation and credit ratings of the company. The situation arising out of Covid-19 Pandemic has justified the decision of the Board of Directors. The lease rentals from lease of Land and Building and the assurance of infusion by the Promoters of further interest-free funds as and when deemed necessary will ensure that all remaining liabilities will be fully discharged and accordingly, the Board of Directors deem it fit to continue adoption of Going Concern Concept in preparation of the financial statements although the Statutory auditors have qualified their opinion wrt the same.

- As stated in clause 2 above, the Board of Directors had enforced controls over raw material price, linking it to Yarn price realization, recoupment of losses incurred wherever possible etc. However, with (i) Liquidity constraints and cash & carry conditions, the higher price of fine cotton used in the branded goods of the company could not be realized, (ii) the decision to cease manufacturing activity & realise monies to retire debts, there has been pressure to quickly dispose of all Inventory at available prices. Consequently, the value of goods sold is higher as compared to sale price realized. The actual impact of this is not ascertainable and therefore not classified separately as an 'Exceptional Item'.
- The Company is principally engaged in a single business segment viz. yarn based on nature of products, risks, returns and the internal business reporting system and accordingly there is no other reportable segment in terms of Ind AS 108 'Operating Segments'.
- Ind AS 116 "Leases" has been adopted with effect from 1.4.2019 using 'Modified Retrospective Method'. The adoption did not have any significant impact on overall results.

6 Exceptional items consists of:

Particulars	Quarter ended			Year ended	Year ended
	31.03.2020	31.12.2019	31.03.2019	31.03.2020	31.03.2019
	Unaudited			Audited	Audited
(i) Impairment loss of capital advances	(48.49)			(48.49)	
(ii) Impairment loss of property, plant and equipment					(276.78)

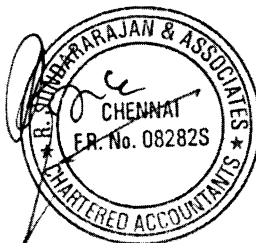
- Since the company has closed its manufacturing activities, the Board of Directors, by way of abundant caution, have provided for capital advance of Rs.48.49 lakhs.
- During the earlier year, pursuant to the approval of the shareholders, prospective customers had been identified for sale of Unit II and part of Unit I undertakings. Consequently, the carrying value of the net assets of the said undertakings have been reclassified and disclosed as 'Assets held for sale' in the Statement of Assets and Liabilities. Further, pursuant to the proposed sale, the carrying value of the undertakings had been reflected at the contracted values and the consequent impairment loss considered and disclosed as an Exceptional item.

- The outbreak of Coronavirus (COVID 19) pandemic globally and in India is causing significant disturbance and slowdown of economic activity. In such a situation, the Company has taken due care in concluding on accounting judgements and estimates and while assessing the recoverability of Company's assets such as Trade receivables, inventories etc., the Company has considered internal and external information upto the date of approval of these financial results and expects to recover the carrying amount of the asset. The actual impact of the pandemic may be different from that which has been estimated, as the COVID-19 situation evolves in India and globally.
- The figures for the quarters ended March 31, 2020 and March 31, 2019 are the balancing figures between the audited figures in respect of the full financial year and the published year to date figures upto the quarter ended December 31, 2019 and December 31, 2018 respectively, which were subject to limited review by the statutory auditors.
- The previous period figures have been regrouped/reclassified wherever necessary to conform to current period classification.

For Kandagiri Spinning Mills Limited

*[Signature]*  
R Selvarajsh  
Managing Director  
DIN : 00001910

Salem  
July 30, 2020



UDIN: 20026452AAAA BL 82.06


## KANDAGIRI SPINNING MILLS LIMITED

Regd. Office: Post Box No.3, Mill Premises, Udayapatti P.O, Salem 636 140  
CIN: L17111TZ1976PLC000762; Ph.No:0427-2244400; Fax: 0427-2244422  
E-mail:sales@kandagirimills.com; Web: [www.kandagirimills.com](http://www.kandagirimills.com)

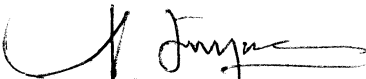
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Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along with Annual Audited Financial Results (Standalone) for the year ended 31.03.2020

Statement on Impact of Audit Qualifications for the financial year ended March 31, 2020 [Regulation 33 of SEBI (LODR) Amendment Regulations, 2016]				
I	Sl. No	Particulars	Audited Figures (as reported before adjusting for qualification) (Rs. lakhs)	Audited Figures (audited figures after adjusting for qualifications) (Rs. lakhs)
	1.	Turnover/ Total Income	3335.43	3335.43
	2.	Total expenditure	4324.57	4324.57
	3.	Net Profit/(Loss) including comprehensive income	(1156.00)	(1156.00)
	4.	Earnings Per share	(29.97)	(29.97)
	5.	Total Assets	1854.94	1854.94
	6.	Total Liabilities (excluding network)	2411.14	2411.14
	7.	Net worth	(556.20)	(556.20)
	8.	Any other financial item(s) as felt appropriate by the Management	Nil	Nil
<b>II</b>				
<b>Audit Qualification (each audit qualification separately)</b>				
	a.	<b>Details of Audit Qualification:</b> The company has been incurring losses over the years and earlier. During the year, (a) there has been erosion in net worth, (b) the company has ceased to produce yarn and the Plant and Machinery have been sold and (c) the remaining immovable property has been leased out. Consequently, although the Board of Directors hope to continue engaging inter alia in trading in Yarn, and deem the decision to sell assets and cease yarn production as interim measures to stem losses, we are of the opinion that these factors indicate existence of material uncertainty in the Company's ability to continue as a going concern. The attached financial statements do not include any adjustments that might result had the above uncertainties been known. Management has represented in this regard that there is no further adjustments to be made in the carrying values/financial statements even if the Going Concern Concept is not adopted		
	b.	Type of Audit Qualification: Qualified Opinion		
	c.	Frequency of qualification: First Time		
	d.	For Audit Qualification(s) where the impact is quantified by the Auditor, Management views: Not applicable		

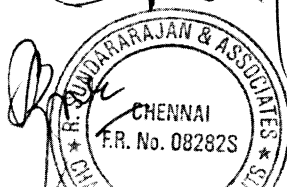
**Signatories:**

Managing Director 


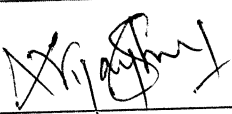
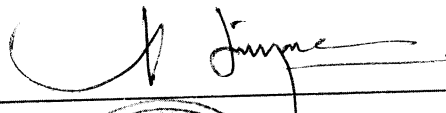
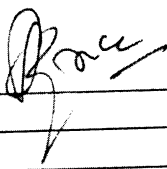
CFO 

Audit Committee Chairman 

Statutory Auditor 



Contd.....2

II	e. For Audit Qualification(s) where the impact is not quantified by the Auditor:
	(i) Management's estimation on the impact of audit qualification: Not applicable
	(ii) If Management is unable to estimate the impact, reasons for the same: The company has been incurring losses over the years and upto the third quarter of the current year. However the networth had remained positive and consequently, the yarn/textile business continued to be carried on. The Board of Directors had initiated a number of steps to reduce fixed costs, recover higher raw material costs through higher price realization of Yarn and negotiate lower borrowing/finance cost. These efforts could not effect a turnaround in the fortunes of the company and in the light of erosion in net worth in the fourth quarter, the refusal of bankers to lend further monies and their request to settle their dues and prevalent economic conditions, the company decided in March 2020 to cease yarn production, sell the Plant and Machinery, lease the immovable property and retire the liabilities to the extent possible. The Stock exchange and other regulatory authorities have been duly informed. It may also be recalled that necessary approvals from the shareholders for disposal of assets had already been obtained. Necessary funds for retirement of dues and settlement of liabilities have been provided by the Directors/Promoters. The quality of goods produced hitherto by company has generated goodwill and brand image that the Board of Directors hope to continue to use by engaging interalia in trading in Yarn. The cessation of Production of Yarn is thus to be viewed as an interim drastic measure to stem losses, protect shareholders' interests and retire all the bank liabilities to protect the reputation and credit ratings of the company. The situation arising out of Covid-19 Pandemic has justified the decision of the Board of Directors. The lease rentals from lease of Land and Building and the assurance of infusion by the Promoters of further interest-free funds as and when deemed necessary will ensure that all remaining liabilities will be fully discharged and accordingly, the Board of Directors deem it fit to continue adoption of Going Concern Concept in preparation of the financial statements although the Statutory auditors have qualified their opinion with respect to the same.
(iii) Auditor's Comments on (ii) above: Management's explanation on the impact of Audit qualification as stated in clause (ii) above have been reviewed and we have no further comments	
III	Signatories:
	• Managing Director: 
	• CFO: 
	• Audit Committee Chairman: 
	• Statutory Auditor: 
Place: Salem	
Date: 30.07.2020	

