



SANDHYA SPINNING MILL LTD.
RAJAPALAIYAM



Our Chairman presenting Ramco Excel Award (Third Place) for the Domestic units for the year 2011 to our G.M.(Works).



Our Chairman presenting best worker prize to our worker during the 16th Pongal Sportsday Celebrations.



SHRI P.A.C. RAMASAMY RAJA

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

BOARD OF DIRECTORS :

Shri P.R. RAMASUBRAHMANEYA RAJHA, B.Sc.,
Chairman

Smt. SRISANDHYA RAJU
Managing Director

Shri P.R. VENKETRAMA RAJA, B.Tech., M.B.A.

Smt. R. SUDARSANAM

Smt. P.V. NIRMALA RAJU

Shri N.K. SHRIKANTAN RAJA

Dr. K.T. KRISHNAN

Shri S. KANTHIMATHINATHAN

BANKERS

Canara Bank

ICICI Bank Ltd

IDBI Bank Ltd

Indian Bank

Punjab National Bank

State Bank of India

Tamilnad Mercantile Bank Ltd

Registered Office :

Sandhya Spinning Mill Ltd.,
No.47, P.S.K. Nagar,
Rajapalaiyam - 626 108. TN

Factory :

Krishnapuram Road,
Rajapalaiyam - 626 108. TN

Gopinenipalem Village,
Vatsavai Mandal,
Krishna District - 521 190. AP

AUDITORS :

M/s. N.A. JAYARAMAN & CO.,
Chartered Accountants,
9,Cedar Wood, No.11,4th Main Road,
Raja Annamalaipuram,
Chennai - 600 028.

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SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

NOTICE TO THE MEMBERS

Notice is hereby given that the 18th Annual General Meeting of the Company will be held at 11.00 A.M on Monday, the 6th August, 2012 at P.A.C. Ramasamy Raja Centenary Community Hall, Sudarsan Gardens, P.A.C. Ramasamy Raja Salai, Rajapalaiyam - 626 108, Tamil Nadu to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Statement of Profit and Loss for the year ended 31st March, 2012 and the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. a) To appoint a Director in the place of Smt. R. Sudarsanam, who retires by rotation and is eligible for re-appointment.
b) To appoint a Director in the place of Shri .P.R. Venketrama Raja, who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors and, if thought fit, to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED that Shri R. Palaniappan, Prop. M/s. N.A. Jayaraman & Co., Chartered Accountants, Chennai be and are hereby appointed as Auditor of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs.55,000/- (Rupees Fifty Five Thousand only) exclusive of out-of-pocket expenses."

4. SPECIAL BUSINESS :

To consider and if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution

"RESOLVED THAT the fact of erosion of 100% net worth of the Company as on 31st March, 2012 and the reasons for such erosion be and is hereby considered in accordance with the applicable provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 in all aspects and that the reference in the prescribed format be made to the Board for Industrial and Financial Reconstruction (BIFR) within 60 days thereof."

By order of the Board,
For SANDHYA SPINNING MILL LTD.,

Rajapalaiyam,
28th May, 2012.

P.R. RAMASUBRAHMANEYA RAJHA,
Chairman

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SEC. 173(2) OF THE COMPANIES ACT, 1956

As at the end of the financial year 31st March, 2012, 100% of the company's net worth has eroded. The accounts of the Company are being considered for adoption of the ensuing Annual General Meeting of the Company to be held on 6th August, 2012. The provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 apply to the Company and Section 23 requires such erosion to be considered by the Members of the Company at the General Meeting.

The reason for the erosion and steps taken for improvement has been explained in the report of the Directors. Your Directors will make the necessary reference to the Board as required under section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 within the time stipulated.

None of the Directors of the company may be deemed to be interested in the resolution.

NOTES :

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company;
2. Proxy Form is enclosed. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting;
3. Under the provisions of Section 205C of the Companies Act, 1956, dividends remaining unpaid for a period of over 7 years will be transferred to the Investor Education & Protection Fund (IEP Fund) of the Central Government. Thereafter no claim shall lie against the Fund or the Company and no payment will be made in respect of any such claims. Hence, the members who have not claimed their dividend relating to the earlier years may write to the Company for claiming the amount before it is so transferred to the fund. The details of due dates for transfer of such unclaimed dividend to the said Fund are:

| FINANCIAL YEAR ENDED | DATE OF DECLARATION OF DIVIDEND | LAST DATE FOR CLAIMING UNPAID DIVIDEND | DUE DATE FOR TRANSFER TO IEP FUND |
|----------------------|---------------------------------|--|-----------------------------------|
| 31.03.2005 | 12.08.2005 | 11.08.2012 | 09.09.2012 |
| 31.03.2006 | 28.07.2006 | 27.07.2013 | 25.08.2013 |
| 31.03.2007 | 25.07.2007 | 24.07.2014 | 22.08.2014 |
| 31.03.2008 | 06.08.2008 | 05.08.2015 | 03.09.2015 |
| 31.03.2010 | 04.08.2010 | 03.08.2017 | 01.09.2017 |
| 31.03.2011 | 20.07.2011 | 19.07.2018 | 17.08.2018 |

By order of the Board,
For SANDHYA SPINNING MILL LTD.,

Rajapalaiyam,
28th May, 2012.

P.R. RAMASUBRAHMANEYA RAJHA,
Chairman

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their 18th Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2012.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2012 after charging all expenses but before deducting finance cost and depreciation have resulted in operating profit of Rs.930.07 lakhs.

After deducting Rs.1,996.46 lakhs towards finance cost and providing Rs.1,132.81 lakhs towards Depreciation, the Net Loss for the year is Rs.(-) 2,199.20 lakhs. Taking into account Deferred Tax Asset of Rs. 749 lakhs the net loss for the year is Rs. 1,450.20 lakhs.

DIVIDEND

In view of loss incurred by the Company in the current year, your Directors are unable to recommend any Dividend.

TAXATION

The Company is not liable to pay income tax under both the regular method and Minimum Alternate Tax. An amount of Rs.749 Lakhs has been withdrawn from Deferred Tax liability provided in the earlier years which is in accordance with the Accounting Standards.

TRADE CONDITIONS

As reported in the Directors' Report in the previous year, Textile Industry especially Spinning Mills across the country are facing unprecedented crisis on account of inconsistent policies adopted by the Government of India with regard to export of cotton and cotton yarn. The cotton prices have gone up too steeply during the season 2010-11 due to unrealistic Government's decision to export huge quantity of cotton during peak cotton season. The Mills were forced to buy good quality cotton at abnormally higher prices during that season which was consumed during the financial year 2011-12. There was no parity between cotton cost and price of yarn sold. The Mills were forced to sell the yarn at very low price, though the yarn was produced with the stock of high-cost cotton procured during the season 2010-11 and thus incurred huge inventory loss.

The ban on cotton yarn exports for more than two months in the last quarter of the financial year 2010-11 and the declining domestic demand has resulted in piling up of huge stock of cotton yarn in the Mills. When export of cotton yarn was allowed in April 2011, the accumulated stock caused a crash of cotton yarn prices in the global and domestic markets. The mounting pressure of inventory with Indian Mills and their eagerness to get rid of their inventory before the arrival of new cotton, virtually pushed the global yarn prices down by more than 30 per cent within a month. The crisis in Europe had affected the exports from India and the export orders from European countries have started shrinking during the year under review.

The power cut in Tamilnadu has worsened during the year and severe power cut measures were announced and the power availability from the grid was only 25% from March, 2012 and is still continuing. The mismatch between increased demand for electricity and shortage in the supply has affected the capacity utilization of Mills in Tamilnadu. Timely decision taken by your Directors to install Windmills in previous years and purchase of power from Third Party have helped the Company to tide over the power crisis. Still to meet the full requirements, we have to use Diesel Generator sets resulting in higher costs.

In order to contain the inflation in India, The Reserve Bank of India has tightened the monetary policy by increasing the lending and borrowing rates. Because of these measures, all the Banks have hiked the rate of interest by 2% to 3% for all our term loans and working capital loans.

The cumulative effect of the above factors have adversely affected the performance of the Company.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

DIRECTORS' REPORT

EXPORTS

On the export front during the year, we have made direct export of Cotton Yarn for a value of Rs.8.86 Crores as against Rs.24.35 Crores of the previous year.

PROSPECTS FOR THE CURRENT YEAR

The Central Government's frequent interventions in the form of imposition and removal of quantitative restrictions on export of raw cotton as well as cotton yarn without taking a comprehensive view of demand and supply requirements of various segments of textile industry has resulted in high volatility in cotton prices during cotton season 2011-12. The cotton prices are still ruling high at uneconomical levels.

The yarn prices are stagnant due to recessionary trend in both domestic and global markets. The power cut imposed in Tamilnadu to the extent of 75% is severely affecting the operations of the Company. The Government of Tamilnadu has also announced the increase in power tariff by more than 30%.

The increase in wages, power cost, fuel prices & finance cost and the increase in the power cuts in recent period definitely pose a challenge. While the cost of major inputs are increasing steeply, the yarn price has not increased. Your Directors are therefore unable to predict the profitability of the Company in the current year. However, the Company is maintaining high standards of Quality Yarn, cost effective production and stringent waste control measures. These measures strengthened the Company to withstand the challenges in the current scenario.

WIND MILL

The Wind Mill Division with an installed capacity of 10.95 MW is working satisfactorily. The Division has generated 188 Lakhs Kwh as compared to 102 Lakhs Kwh of the previous year. The full benefit of windmills purchased during September, 2010 with the capacity of 5.60 MW has accrued during the year. The income during the year from the Wind Mill Division was Rs. 7.49 Crores as against Rs.4.46 Crores of previous year.

PERSONNEL

Industrial relations with employees remained cordial during the year. Human Resources Development activities received considerable focus. The emphasis was on imparting training and development of the skill-set of the employees to enable them to face the challenges in the work environment. The scarcity of skilled labour and heavy absenteeism in labour attendance are causing loss of production. We are striving our best to retain them by implementing attractive incentive schemes to labours to achieve better attendance.

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219 (1) (b) (iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Member who is interested in obtaining such particulars may write to the Company.

INTERNAL CONTROL SYSTEM

Your Company has adequate internal control procedures commensurate with the size and nature of its operations. ERP System developed by Ramco Systems Ltd., has been installed for online monitoring of all functions and management information reports are being used to have better control and to take decisions in time.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

DIRECTORS

The following Directors retire by rotation at the ensuing Annual General Meeting and they are eligible for re-appointment.

1. Smt. R. Sudarsanam
2. Shri. P.R. Venketrama Raja

PUBLIC DEPOSITS

The total deposits from the public outstanding with the Company as on 31st March, 2012 were Rs. 32.77 Lakhs including the deposits renewed in accordance with Section 58A of the Companies Act, 1956. There was no deposits unclaimed / unpaid as on 31-03-2012. In view of the reduction in the general reserves of the company due to the current year's loss steps are taken to reduce the fixed deposits accepted by the company the limit prescribed under the Companies (Acceptance of fixed deposits) Rules 1975.

EROSION OF NET WORTH & THE REASON FOR THE EROSION

As on 31st March, 2012, 100% of the net worth of the company has been eroded. There was steep increase in the cotton prices during the cotton season 2010-11 and the company was forced to buy good quality cotton at **abnormally high** prices during that season which was consumed during the financial year 2011-12. There was no parity between cotton cost and price of yarn sold. The company was forced to sell the yarn at very low price. Though the yarn was produced with the stock of high cost cotton procured during the season 2010-11 there was crash in yarn prices due to recession in domestic and global markets. The power cut and unscheduled power shutdowns imposed by Electricity board affected the utilization and productivity. The increase in borrowing costs due to upward revision of interest rates by Reserve Bank of India to tighten the monetary policy also contributed to **the unprecented** loss during the year 2011-12.

STEPS TAKEN FOR IMPROVEMENT

The company expects improvement in yarn prices during the year 2012-13. The cotton prices are coming down. The company is taking steps to improve the utilization of machinery and productivity. The company is hopeful of turnaround during the current year.

REFERENCE TO THE BIFR

Consequent to the erosion of networth, the Company has attracted the provisions of Section 3(1)(o) of the Sick Industrial Companies(Special Provisions) Act, 1985, which necessitates the Company to make a reference to the Board for Industrial and Financial Reconstruction

AUDITORS

Mr. R. Palaniappan, Prop. M/s. N.A.Jayaraman & Co, Chartered Accountants, Chennai Auditors of the Company retire at the end of the 18th Annual General Meeting and are eligible for re-appointment.

SUBSIDIARY

The Company has DECCAN RENEWABLE WIND ELECTRICS LIMITED as a Wholly Owned Subsidiary. The Accounts of DRWEL are prepared, audited and presented as per the provisions of the Companies Act, 1956. As per Section 212 of the Companies Act, 1956, any Holding Company in India while presenting its Annual Report to its Shareholders has also to present the Balance Sheet and Statement of Profit & Loss of its Subsidiary Company, in accordance with the requirements of Schedule VI of the Companies Act, 1956. However, the Ministry of Corporate Affairs had vide its General Circular No.2/2011 No.5/12/2007-CL-III

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

dt. 8.2.11 had given directions to all Regional Directors and Registrar of Companies that provisions of Section 212 shall not apply in relation to subsidiaries of those companies subject to fulfilling certain conditions stipulated therein. One of the conditions was that the Company should obtain the consent of the Board for not attaching the Balance Sheet of the subsidiary concerned and that the company should present in the annual report, the consolidated financial statements of holding company and its subsidiary duly audited by its statutory auditors.

The Audited of Annual Accounts of the subsidiary and related the detailed information will be made available to the shareholders of the Company as also the shareholders of the subsidiary companies seeking such information at any point of time. The Annual Accounts of the Subsidiary Company will also be kept for inspection by any shareholder at the Registered Office of the Company and of the subsidiary company concerned.

CONSERVATION OF ENERGY, ETC.,

The Company continues to take keen interest in conservation of energy and the information required under Section 217(1) (e) of the Companies Act, 1956 read with the relevant Rules, with regard to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in Annexure I to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors Confirm that -

- i) In the preparation of Annual Accounts for the year ended 31st March 2012, the applicable accounting standards had been followed;
- ii) The selected accounting policies were applied consistently and judgments and estimates that are reasonable and prudent were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- iii) Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act had been taken for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) The annual accounts were prepared on a going concern basis.

Secretarial Compliance Certificate issued by practicing Company Secretary as required u/s. 383(A) of the Companies Act, 1956 is given in Annexure II to this report.

ACKNOWLEDGEMENT

The Directors are grateful to the various Departments and agencies of the Central and State Governments for their help and co-operation. They are thankful to the Financial Institutions and Banks for their continued help, assistance and guidance. The Directors wish to place on record their appreciation of employees at all levels for their commitment and their contribution.

On behalf of the Board of Directors,
For SANDHYA SPINNING MILL LTD.,

Rajapalaiyam,
28th May, 2012.

P.R.RAMASUBRAHMANEYA RAJHA,
CHAIRMAN

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

ANNEXURE I TO DIRECTORS' REPORT

Information as per Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY :

- | | | |
|---|---|---|
| (a) Energy conservation measures taken | : | } The Company is continuously making efforts to conserve energy. Energy saving devices have already been installed and 40s converted UKG is being monitored very closely. Particulars given in Form A |
| (b) Additional investments and proposals if any, being implemented for reduction of consumption of energy | : | |
| (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. | : | |
| (d) Total energy consumption per unit of production of good | : | |

B. TECHNOLOGY ABSORPTION :

- | | | |
|---------------------------------------|---|-----------------------------|
| Efforts made in Technology Absorption | : | Particulars given in Form B |
|---------------------------------------|---|-----------------------------|

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- | | | |
|---|---|---|
| (a) (i) Activities relating to exports | : | } The Company has made direct exports for a value of about Rs.8.86 Crores (FOB value) besides merchant exports for a value of Rs. 26.67 Crores during the year under review. The Company has taken steps to increase the yarn exports during the Current year. |
| (ii) Initiatives taken to increase exports | : | |
| (iii) Development of new export markets for products and services | : | |
| (iv) Export Plans | : | } The possibilities of exporting yarn to other Asian countries, Western Countries including EEC countries are being explored. |
| (b) (i) Total foreign exchange used (including Capital Goods) | : | Rs. 6.29 Crores |
| (ii) Total foreign exchange earned (in FOB Value) | : | Rs. 8.86 Crores |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

ANNEXURE I TO DIRECTORS' REPORT

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION:

| | | 2011-12 | 2010-11 |
|---------------------------------------|---------------------|----------------|---------|
| Electricity | | | |
| (a) Purchased from Electricity Boards | | | |
| Unit | Lakhs KWH | 277.06 | 273.44 |
| Total amount | Rs. In Lakhs | 1278.56 | 1218.33 |
| Rate / Unit | Rs. | 4.62 | 4.46 |
| (b) Own Generation | | | |
| Through diesel generator Units | Lakhs KWH | 12.52 | 34.10 |
| Unit per Litre of Diesel Oil | KWH | 3.70 | 3.71 |
| Diesel Cost per unit | Rs. | 11.20 | 10.99 |
| (c) Purchased from Third Party | | | |
| Units | Lakhs KWH | 19.31 | 46.81 |
| Total amount | Rs. In Lakhs | 131.54 | 265.33 |
| Rate / Unit | Rs. | 6.81 | 5.67 |

B. CONSUMPTION PER UNIT OF PRODUCTION:

| | | | |
|---|--|-------------|------|
| Products : Cotton Yarn | | | |
| Unit : Kgs (40s Converted) | | | |
| Electricity (Units / Kgs) | | | |
| (Based on 40 ^s Converted Production) | | 4.68 | 5.17 |

NOTE:

1. No standard rate of consumption is available.
2. As the Company is producing various counts of yarn separate details for each count are not given.

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

RESEARCH AND DEVELOPMENT (R&D)

- | | | |
|--|---|-----|
| 1. Specific areas in which R & D carried out by the Company | } | |
| 2. Benefits derived as a result of the above R & D | | |
| 3. Future plan of action | | |
| 4. Expenditure on R & D | | |
| a. Capital | } | Nil |
| b. Recurring | | |
| c. Total | | |
| d. Total R & D expenditure as a percentage of total turnover | | |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- | | | |
|--|---|--|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation. | } | |
| 2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. | | |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

ANNEXURE II TO DIRECTORS' REPORT COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31ST MARCH, 2012

CIN: U17111TN1994PLC027037.

Nominal Capital: Rs.2,00,00,000/-

To

The Members,
SANDHYA SPINNING MILL LIMITED,
NO.47, P.S.K. NAGAR,
RAJAPALAIYAM- 626 108.

Sir,

I have examined the registers, records, books and papers of **SANDHYA SPINNING MILL LIMITED**, [the company] as required to be maintained under the Companies Act, 1956, [the Act] and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2012 [financial year]. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

- 1) The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
- 2) The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Central Government within the time prescribed under the Act and the rules made there under except as stated in Annexure "B". However the Company is not required to file forms and returns with the Regional Director, Company Law Board or other authorities.
- 3) The company, being a public limited Company, has paid up capital of Rs.1,68,14,000/-
- 4) The Board of Directors duly met four times respectively on 28.05.2011, 11.08.2011, 09.11.2011 and 10.02.2012 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
- 5) The Company has closed its Register of Members from 15.07.2011 to 20.07.2011 (both days inclusive) and necessary compliance of Section 154 of the Act has been made.
- 6) The Annual General Meeting for the financial year ended on 31st March, 2011 was held on 20.07.2011 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- 7) No Extra Ordinary General Meeting was held during the financial year.
- 8) The Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act during the financial year.
- 9) The Company has duly complied with the provisions of section 297 of the Act in respect of contracts specified in that section.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

ANNEXURE II TO DIRECTORS' REPORT

- 10) The Company has made necessary entries in the register maintained under section 301 of the Act.
 - 11) As there were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from the Board of Directors, Members or Central Government.
 - 12) The duly constituted Committee of Directors has approved the issue of duplicate share certificates.
 - 13) The Company has:
 - i) Delivered all the certificates on lodgment thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act; However there was no allotment of securities during the financial year.
 - ii) Deposited the amounts of Dividend declared on 20.07.2011 in a separate Bank Account on 20.07.2011 which is within five days from the date of declaration of such Dividend.
 - iii) Paid / posted warrants for Dividends to all the members with a period of 30 (thirty) days from the date of declaration and that all unclaimed / unpaid Dividend has been transferred to the unpaid Dividend account of the company with Axis Bank Ltd., Rajapalayam on 25.08.2011 .
 - iv) The Company has credited Investor Education and Protection Fund a sum of Rs.24,930/- being unpaid dividend for the year ended 31.03.2004 on 26.08.2011. However, the Company has no amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have been remained unclaimed or unpaid for a period of seven year to be transferred to Investor Education and Protection Fund.
 - v) Duly complied with the requirements of section 217 of the Act.
 - 14) The Board of Directors of the Company is duly constituted. There was no appointment of Alternate Director, Additional Director and Director to fill casual vacancy during the financial year.
 - 15) The appointment of Managing Director with effect from 25.05.2009 for 5 years has been made in compliance with the provisions of Sec.269 read with Schedule XIII to the Act during the financial year ended 31.03.2010, which is valid upto 24.05.2014
 - 16) The company has not appointed any sole selling agents during the financial year.
 - 17) The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of the Act during the financial year.
 - 18) The Directors have disclosed their interest in other firms/Companies to the Board of Directors pursuant to the Provisions of the Act and the rules made there under.
 - 19) The Company has not issued any shares, debentures or other securities during the financial year.
 - 20) The Company has not bought back any shares during the financial year.
 - 21) The Company has not issued any preference shares/debentures and hence the question of redemption of preference shares/debentures does not arise during the financial year under review.
-

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

ANNEXURE II TO DIRECTORS' REPORT

- 22) There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
- 23) The Company has complied with the provisions of section 58A and 58AA read with Companies (Acceptance of Deposit) Rules, 1975 in respect of deposits accepted by the Company during the year and the Company has filed the copy of Statement in lieu of Advertisement/necessary particulars as required with the Registrar of Companies, Chennai, Tamilnadu on 20.07.2011. The Company has also filed Return of Deposits with the Registrar of Companies, Chennai, Tamilnadu on 22.06.2011.
- 24) The amount borrowed by the Company from directors, members, public, financial institutions, banks and other during the financial year ending 31st March, 2012 is/are within the borrowing limits of the company and that necessary resolutions as per section 293(1)(d) of the Act have been passed in duly Annual General Meeting held on 04.08.2010 for Rs. 300 Crores over and above the paid-up capital and free reserves.
- 25) The Company has made investments in other bodies corporate in compliance with the provisions of the Act and has made necessary entries in the register kept for the purpose. However the Company has not given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
- 26) The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
- 27) The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
- 28) The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
- 29) The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
- 30) The company has not altered its Articles of Association during the financial year.
- 31) There were no prosecution initiated against the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
- 32) The Company has not received any money as security from its employees during the financial year.
- 33) Since Employees Provident Fund Act, 1952 is applicable sec. 418 is not applicable.

M.R.L. NARASIMHA
Practicing Company Secretary
C.P.No. 799.

Rajapalaiyam,
23rd May, 2012.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

ANNEXURE II TO DIRECTORS' REPORT

ANNEXURE 'A'

SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31ST MARCH, 2012.

SANDHYA SPINNING MILL LIMITED

CIN: U17111TN1994PLC027037.

Nominal Capital : Rs.2,00,00,000/-

Registers as maintained by the Company:

- 1) Board Meeting Minutes u/s. 193, Share transfer committee minutes and Remuneration Committee minutes.
- 2) Annual General Meeting Minutes u/s. 193.
- 3) Directors Attendance Register.
- 4) Register of Contracts in which Directors are interested u/s. 301 and 301(3).
- 5) Register of Directors u/s. 303
- 6) Register of Members u/s. 150
- 7) Register of Shares Transfer.
- 8) Register of charges and copies of instruments evidencing the charge u/s. 136.
- 9) Register of Investments.
- 10) Register of Proxy.
- 11) Register of Renewed and Duplicate Share certificate Register.
- 12) Fixed Deposits Register.
- 13) Register of Directors Shareholding.
- 14) Shareholders attendance Register.

Rajapalaiyam,
23rd May, 2012.

M.R.L. NARASIMHA,
Practicing Company Secretary,
C.P.No. 799.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

ANNEXURE II TO DIRECTORS' REPORT

ANNEXURE 'B'

SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31ST MARCH, 2012

SANDHYA SPINNING MILL LIMITED

CIN: U17111TN1994PLC027037.

Nominal Capital : Rs.2,00,00,000/-

Forms and Returns filed by the Company with the Registrar of Companies during the Financial Year Ending 31st March, 2012.

| S. No. | Form No. Return | Filed U/s. | For | Date of Filing SRN | Whether filed within prescribed Time | If delay in Filing whether Requisite Additional fees paid |
|--------|-------------------------|--|---|-------------------------|--------------------------------------|---|
| 1 | 1INV | Rule 3 of Investor Education & Protection Fund [Awareness and Protection of Investors] Rules, 2001 | Statement of Amounts credited to Investor Education and Protection Fund for the year ended 31.03.2004 | 31.08.2011 B19378991 | Not Applicable | Not Applicable |
| 2 | 62 | Rule 10 of Companies (Acceptance of deposits) Rules 1975 | Return of Deposits as on 31.03.2011 | 22.06.2011 B14683841 | Yes | Not Applicable |
| 3 | 62 | Rule 4A of Companies (Acceptance of deposits) Rules 1975 | Statement in Lieu of Advertisement | 20.07.2011 B16506925 | Yes | Not Applicable |
| 4 | 66 | 383 A (1) | Secretarial Compliance Certificate for the year ended 31.03.2011 | 04.08.2011 B69002491 | Yes | Not Applicable |
| 5 | 23AC-XBRL 23ACA-XBRL | 220 | Balance Sheet, P&L A/c as at 31.03.2011 | 29.11.2011 P81609679 | Yes | Not Applicable |
| 6 | 20B | 159 | Annual Return made upto 20.07.2011 | 10.09.2011 P70198650 | Yes | Not Applicable |
| 7 | 8 | 135 | Modification of Charges- IDBI Rs.16Cr. | 22.06.2011 B14682777 | Yes | Not Applicable |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

**ANNEXURE II TO DIRECTORS' REPORT
SECRETARIAL COMPLIANCE CERTIFICATE FOR THE YEAR ENDED 31ST MARCH, 2012**

| S. No. | Form No. Return | Filed U/s. | For | Date of Filing SRN | Whether filed within prescribed Time | If delay in Filing whether Requisite Additional fees paid |
|--------|-----------------|--|---|-------------------------|--------------------------------------|---|
| 8 | 8 | 135 | Modification of Charges-SBI Rs.20Cr. | 04.07.2011 B15540958 | Yes | Not Applicable |
| 9 | 8 | 135 | Modification of Charges-TMB Rs.53.50 Cr. | 24.08.2011 B18823666 | Yes | Not Applicable |
| 10 | 8 | 125 | Creation of Charges Indian Bank Rs.3.67Cr. | 20.10.2011 B23248172 | Yes | Not Applicable |
| 11 | 8 | 125 | Creation of Charges Indian Bank Rs.21.50 Cr. | 20.10.2011 B23248404 | Yes | Not Applicable |
| 12 | 8 | 125 | Creation of Charges TMB Rs.20 Cr. | 07.12.2011 B26501817 | Yes | Not Applicable |
| 13 | 17 | 138 | Satisfaction of Charges-ICICI Rs.10 Cr. | 08.12.2011 B26630210 | Yes | Not Applicable |
| 14 | DIN4 | Rule 7 of Companies (Director Identification Number) Rules, 2006 | Intimation of Change in particulars of Smt.SriSandhya Raju, Managing Director | 20.09.2011 B20770343 | Yes | Not Applicable |
| 15 | DIN4 | Rule 7 of Companies (Director Identification Number) Rules, 2006 | Intimation of Change in particulars of Smt.P.V.Nirmala Raju, Director | 28.09.2011 B21602776 | Yes | Not Applicable |

Regional Director :

Nil

Central Government & other authorities :

| | | | | | | |
|---|-----|--------|---|-------------------------|-----|----------------|
| 1 | 23C | 233(2) | Appointment of Cost Auditor for Electirc Industry for year ended 31.03.2012 | 28.06.2011 S05417845 | Yes | Not Applicable |
|---|-----|--------|---|-------------------------|-----|----------------|

Rajapalaiyam,
23rd May, 2012.

M.R.L. NARASIMHA,
Practicing Company Secretary,
C.P.No. 799.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

AUDITOR'S REPORT TO SHAREHOLDERS

1. We have audited the attached balance sheet of Sandhya Spinning Mill Limited as at 31st March, 2012 and the related the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto which we have signed 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 conducted our audit in accordance with the auditing standards generally accepted in India. Those 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 discloses in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) order 2003, as amended by the Companies (Auditors' Report) (Amendment) order 2004, issued by the Government of India in terms of Section 227 (4A) of the Companies Act, 1956 of India (The Act) and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations give to us, we set out in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) 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;
 - (ii) 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;
 - (iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of written representation received from the directors' and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms Section 274 (1)(g) of the Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and also give a true fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2012,
 - (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date and
 - (c) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For N.A. JAYARAMAN & CO.,
Chartered Accountants
FRN-001310S

R. Palaniappan
Proprietor.
Membership No. 205112

Rajapalaiyam,
28th May, 2012.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in paragraph 3 of our report of even date to the shareholders of Sandhya Spinning Mill Limited :

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The management is having a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) No substantial part of the fixed assets of the Company has been disposed off during the year.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been dealt with in the books of accounts.
- (iii) (a) The Company has not granted unsecured loans covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) The Company had taken loan from other companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 7.86 crores and the year-end balance of loans taken from such parties was Rs.1.86 Crores.
- (c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (d) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- (e) There is no overdue amount of loans taken from Companies or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (f) The Company has taken unsecured loan covered in the register maintained under section 301 of the Act. The maximum amount involved during the year and the year end balance of unsecured loan is Rs.85.40 Lakhs and Rs.85.40 Lakhs respectively.
- (iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in the internal control systems of the Company.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

ANNEXURE TO THE AUDITOR'S REPORT

- (v) According to the information and explanations given to us, we are of opinion, that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act have been so entered, and the transactions have been made at prices which are reasonable with regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanation given to us ,the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975 with regard to the deposits accepted from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company in respect of product pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) According to the information and explanations given to us, and on the basis of our examination of the books of account, the Company has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, sales tax, customs duty, investor education and protection fund, wealth tax and any other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed dues payable in respect of income-tax, sales tax, Service Tax, Wealth tax, customs duty and cess were outstanding at 31st March, 2012 for a period of more than six months from the date they became payable. According to the information and explanations given to us, there are no dues in respect of income-tax, customs duty, wealth tax, excise duty, and cess were outstanding as on 31st March, 2012 from the date they became payable except the following :

| Details | Amount | Forum where dispute is pending |
|---------|-----------------|--------------------------------|
| VAT | Rs. 21.24 Lakhs | JC(CT), Tirunelveli |

- (x) The Company does not have any accumulated loss at the end of the financial year and has incurred cash loss in the financial year and has not incurred cash loss in the financial year immediately preceding such financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable.
-

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

ANNEXURE TO THE AUDITOR'S REPORT

- (xiii) The Company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order are not applicable.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the order is not applicable.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4 (xv) of the order is not applicable.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long term investment
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act. Accordingly, clause 4 (xviii) of the order is not applicable.
- (xix) The Company has not issued any debentures. accordingly, clause 4 (xix) of the order is not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, clause 4 (xx) of the order is not applicable.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our Audit.
- (xxii) The Company is a Sick Industrial Company within the meaning of clause (o) of sub-section (1) of Sec 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For N.A. JAYARAMAN & CO.,
Chartered Accountants
FRN-001310S

R. Palaniappan
Proprietor.
Membership No. 205112

Rajapalaiyam
28th May, 2012.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
BALANCE SHEET AS AT 31ST MARCH, 2012

| | | (Rs. in Lakhs) | | | |
|---|------|-----------------|-------------------------|-----------------|-------------------------|
| | Note | | AS AT 31-03-2012 | | AS AT 31-03-2011 |
| I EQUITY AND LIABILITIES | | | | | |
| (1) Shareholders' Funds | | | | | |
| (a) Share Capital | 1 | 168.14 | | 168.14 | |
| (b) Reserves and Surplus | 2 | <u>(277.58)</u> | <u>(109.44)</u> | <u>1,172.62</u> | 1,340.76 |
| (2) Non Current Liabilities | | | | | |
| (a) Long Term Borrowings | 3 | 10,918.71 | | 14,191.22 | |
| (b) Deferred Tax Liabilities | 4 | 585.00 | | 1,334.00 | |
| (c) Long Term Provisions | 5 | <u>18.15</u> | <u>11,521.86</u> | <u>12.28</u> | 15,537.50 |
| (3) Current Liabilities | | | | | |
| (a) Short Term Borrowings | 6 | 6,069.15 | | 6,102.30 | |
| (b) Trade Payables | | 98.73 | | (14.55) | |
| (c) Other Current Liabilities | 7 | 2,812.37 | | 2,855.29 | |
| (d) Short Term Provisions | 8 | <u>725.48</u> | <u>9,705.73</u> | <u>863.37</u> | 9,806.41 |
| TOTAL | | | <u>21,118.15</u> | | <u>26,684.67</u> |
| II ASSETS | | | | | |
| (1) Non Current Assets | | | | | |
| (a) Fixed Assets | | | | | |
| (i) Tangible Assets | 9 | 17,400.88 | | 18,206.34 | |
| (ii) Intangible Assets | 9 | 3.18 | | 3.18 | |
| (iii) Capital Work-in-Progress | | <u>9.37</u> | | <u>4.04</u> | |
| | | | 17,413.43 | | 18,213.56 |
| (b) Non Current Investments | 10 | | 7.70 | | 7.70 |
| (c) Long term Loans and Advances | 11 | | 212.89 | | 221.84 |
| (2) CURRENT ASSETS | | | | | |
| (a) Inventories | 12 | 1,617.77 | | 4,568.40 | |
| (b) Trade Receivables | 13 | 663.32 | | 1,984.93 | |
| (c) Cash and Bank Balances | 14 | 68.08 | | 298.65 | |
| (d) Short Term Loan and Advances | 15 | 685.88 | | 688.84 | |
| (e) Other Current Assets | 16 | <u>449.08</u> | <u>3,484.13</u> | <u>700.75</u> | 8,241.57 |
| TOTAL | | | <u>21,118.15</u> | | <u>26,684.67</u> |

Significant Accounting Policies 24

Notes on Financial Statements 25

The notes form integral part of these financial statements

(As per our report annexed)
For N.A. JAYARAMAN & CO.,
Chartered Accountants
FRN-001310S

R. PALANIAPPAN
Proprietor
Membership No.205112
Rajapalaiyam,
28th May, 2012

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

SMT. SRISANDHYA RAJU
Managing Director

SMT R. SUDARSANAM
N.K. SHRIKANTAN RAJA
K.T. KRISHNAN
S. KANTHIMATHINATHAN
Directors

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012

| | | (Rs. in Lakhs) | | |
|-------------|--|----------------------------------|----------------------------------|------------------|
| Particulars | Note | For the year ended 31-03-2012 | For the year ended 31-03-2011 | |
| I | Revenue from Operations | 17 | 12,904.69 | 13,254.51 |
| II | Other Income | 18 | 9.95 | 36.03 |
| III | Total Revenue (I+II) | | <u>12,914.64</u> | <u>13,290.54</u> |
| IV | EXPENSES | | | |
| | Cost of Materials Consumed | 19 | 7,389.79 | 6,930.05 |
| | Changes in Inventories of Finished Goods and Work-in-progress | 20 | 1,464.55 | (1,646.93) |
| | Employee Benefit Expenses | 21 | 733.37 | 654.56 |
| | Finance Costs | 22 | 1,996.46 | 1,488.89 |
| | Depreciation | | 1,132.81 | 999.13 |
| | Other Expenses | 23 | 2,396.86 | 2,864.34 |
| | Total Expenses | | <u>15,113.84</u> | <u>11,290.04</u> |
| V | Profit / (Loss) Before Exceptional and Extraordinary items and Tax (III-IV) | | (2,199.20) | 2,000.50 |
| VI | Exceptional & Extraordinary Items | | | |
| VII | Profit / (Loss) Before Tax (V-VI) | | (2,199.20) | 2,000.50 |
| VIII | Tax Expenses | | | |
| | Current Tax - MAT | | - | 407.00 |
| | Deferred Tax (Asset) / Liability | | (749.00) | 657.00 |
| IX | PROFIT / (LOSS) FOR THE YEAR (VII-VIII) | | <u>(1,450.20)</u> | <u>936.50</u> |
| X | Earnings per Equity Share of Rs. 10/- each Basic & Diluted (in Rs.) | | (86.25) | 55.70 |
| | Significant Accounting Policies | 24 | | |
| | Notes on Financial Statements | 25 | | |

The notes form integral part of these financial statements

(As per our report annexed)
For N.A. JAYARAMAN & CO.,
Chartered Accountants
FRN-001310S

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

SMT R. SUDARSANAM
N.K. SHRIKANTAN RAJA
K.T. KRISHNAN

R. PALANIAPPAN
Proprietor
Membership No.205112

SMT. SRISANDHYA RAJU
Managing Director

S. KANTHIMATHINATHAN
Directors

Rajapalayam,
28th May, 2012

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

| | | (Rs in Lakhs) | |
|--|---------|--------------------------|--------------------------|
| | | 2011-12 | 2010-11 |
| A. Cash Flow from Operating activities | | | |
| Net Profit before tax and prior period and extraordinary items | | (2,199.20) | 2,000.50 |
| Adjustments for : | | | |
| Depreciation | | 1,132.81 | 999.13 |
| Interest paid | | 1,996.47 | 1,488.89 |
| Interest Received | | (29.23) | (18.11) |
| Dividend Received | | (0.04) | (0.02) |
| Profit on sale of assets | | 2.61 | - |
| Operating Profit before Working capital Changes | | <u>903.42</u> | <u>4,470.39</u> |
| Adjustments for : | | | |
| Trade Receivables | | 1,321.61 | (436.39) |
| Loans and Advances | | 299.71 | (448.25) |
| Inventories | | 2,950.63 | (2,298.67) |
| Trade Payables & Current liabilities | | (219.16) | (193.10) |
| Cash generated from Operations | | <u>5,256.21</u> | <u>1,093.98</u> |
| Income tax Paid | | (36.13) | (447.34) |
| Net Cash from Operating activities | A | <u><u>5,220.08</u></u> | <u><u>646.64</u></u> |
| B. Cash Flow from Investing activities : | | | |
| Purchase of fixed assets | | (329.51) | 3,252.17 |
| Sale of assets | | (5.79) | 0.19 |
| Interest received | | 29.23 | 18.11 |
| Dividend received | | 0.04 | 0.02 |
| Net Cash used in Investing activities | B | <u><u>(306.03)</u></u> | <u><u>(3,733.85)</u></u> |
| C. Cash Flow from Financing activities : | | | |
| Proceeds from Long Term borrowings | | 787.49 | 2,852.24 |
| Repayment of Long Term Loan | | (3,785.25) | 1,570.00 |
| Increase / (Decrease) in working capital borrowings | | (33.15) | 3,813.34 |
| Decrease in Inter Corporate Deposits | | 0.00 | (414.00) |
| Payment of Dividend and Tax thereon | | (117.25) | 58.82 |
| Interest Paid | | (1,996.46) | 1,488.89 |
| Net cash from used in financing activities | C | <u><u>(5,144.62)</u></u> | <u><u>3,133.87</u></u> |
| Net Increase in Cash and Cash Equivalent | (A+B+C) | (230.57) | 46.66 |
| Opening balance of Cash and Cash Equivalents (Ref to Note 14) | D | 298.65 | 251.99 |
| Closing balance of Cash and Cash Equivalents (Ref to Note 14) | E | 68.08 | 298.65 |
| Net Increase / (Decrease) in Cash and Cash Equivalent | (E-D) | (230.57) | 46.66 |

(As per our report annexed)
For N.A. JAYARAMAN & CO.,
Chartered Accountants
FRN-001310S

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

SMT R. SUDARSANAM
N.K. SHRIKANTAN RAJA
K.T. KRISHNAN

R. PALANIAPPAN
Proprietor
Membership No.205112

SMT. SRISANDHYA RAJU
Managing Director

S. KANTHIMATHINATHAN
Directors

Rajapalaiyam,
28th May, 2012

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

| | (Rs. in Lakhs) | |
|---|---------------------|----------------------|
| Particulars | As at 31-03-2012 | As at 31-203-2011 |
| Note 1 | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 20,00,000 Equity Shares of Rs.10/- each (PY 20,00,000 Equity Shares of Rs.10/- each) | 200.00 | 200.00 |
| Issued, Subscribed and fully paid-up | | |
| 16,81,400 Equity Shares of Rs.10/- each (PY 16,81,400 Equity Shares of Rs.10/- each) | 168.14 | 168.14 |
| | 168.14 | 168.14 |
| A. Reconciliation of the number of shares outstanding | | |
| Number of shares at the beginning | 1,681,400 | 1,681,400 |
| Number of Shares at the end | 1,681,400 | 1,681,400 |

B. List of Shareholders holding more than 5 percent in the Company

| Particulars | As at 31-03-2012 | | As at 31-03-2011 | |
|--------------------------------------|---------------------|--------------|---------------------|--------------|
| | No. of Shares | % of holding | No. of Shares | % of holding |
| Smt. SriSandhya Raju | 350,750 | 20.86% | 350,350 | 20.84% |
| Sri P.V. Abinav Ramasubramaniam Raja | 140,000 | 8.33% | 140,000 | 8.33% |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

| Particulars | (Rs. in Lakhs) | |
|--|---------------------|---------------------|
| | As at 31-03-2012 | As at 31-03-2011 |
| Note 2 | | |
| RESERVES AND SURPLUS | | |
| General Reserve | | |
| Opening Balance | 963.04 | 963.04 |
| Add : Transfer from Surplus Account | <u>(1,240.62)</u> | - |
| | (277.58) | 963.04 |
| Surplus in the Statement of Profit and Loss | | |
| Opening Balance | 209.58 | 90.32 |
| Add: Profit / (Loss) for the Year | (1,450.20) | 936.50 |
| Less: Appropriations | | |
| Proposed Dividends | - | (100.88) |
| Tax on Dividends | - | (16.36) |
| Transfer to General Reserve | <u>1,240.62</u> | (700.00) |
| | <u>(277.58)</u> | <u>209.58</u> |
| | | <u>1,172.62</u> |

Note 3

LONG TERM BORROWINGS

| | | |
|-------------------------------|------------------|------------------|
| Term Loan from Banks, Secured | <u>10,918.71</u> | 14,191.22 |
| | <u>10,918.71</u> | <u>14,191.22</u> |

- a) Term Loan from Banks are secured by pari-passu charge on the fixed assets of the Company and a second charge on the current assets of the Company.
- b) The Term Loans from Banks are repayable in quarterly installments. The year wise repayment Term Loans are as follows:

| Year | Amount | Amount |
|--------------|------------------|------------------|
| 2012-13 | - | 3,473.75 |
| 2013-14 | <u>2,355.60</u> | 2,340.13 |
| 2014-15 | <u>2,481.77</u> | 2,296.00 |
| 2015-16 | <u>1,774.09</u> | 1,774.09 |
| 2016-17 | <u>1,779.00</u> | 1,779.00 |
| 2017-18 | <u>1,283.00</u> | 1,283.00 |
| 2018-19 | <u>1,099.00</u> | 1,099.00 |
| 2019-20 | <u>146.25</u> | 146.25 |
| Total | <u>10,918.71</u> | <u>14,191.22</u> |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

| Particulars | As at 31-03-2012 | As at 31-03-2011 |
|---|---------------------|---------------------|
| (Rs. in Lakhs) | | |
| Note 4 | | |
| DEFERRED TAX LIABILITY (NET) | | |
| Deferred Tax Liability | | |
| Tax effect on difference between book depreciation and depreciation under the Income Tax Act, 1961 | 1,334.00 | 677.00 |
| Deferred Tax Asset | | |
| Tax effect on unabsorbed depreciation under Income Tax Act, 1961 | (749.00) | 657.00 |
| Net Deferred Tax Liability | <u>585.00</u> | <u>1,334.00</u> |
| Note 5 | | |
| LONG TERM PROVISION | | |
| | 18.15 | 12.28 |
| Provision for Employee Benefits | <u>18.15</u> | <u>12.28</u> |
| Note 6 | | |
| SHORT TERM BORROWINGS | | |
| Secured | | |
| Loan Repayable on Demand from Banks * | 5,950.98 | 2,523.17 |
| Unsecured | | |
| Loan Repayable on Demand from Banks | - | 3,500.00 |
| Deposits | 32.77 | 49.09 |
| Loan from Related Parties | 85.40 | 30.04 |
| | <u>6,069.15</u> | <u>6,102.30</u> |
| * Loan Repayable on Demand from Banks are secured by pari-passu charge on the current assets of the Company and a second charge on the fixed assets of the Company. | | |
| Note 7 | | |
| OTHER CURRENT LIABILITIES | | |
| Current Maturities of Long Term Debt | 2,687.75 | 2,413.00 |
| Interest Accrued but not Due on Borrowings | 2.83 | 5.55 |
| Unpaid Dividends | 9.15 | 7.58 |
| Liabilities for Other Finance | 112.64 | 429.16 |
| | <u>2,812.37</u> | <u>2,855.29</u> |
| Note 8 | | |
| SHORT TERM PROVISIONS | | |
| Provision for Employee Benefits | 71.98 | 92.62 |
| Provision for Taxation | 653.50 | 653.50 |
| Proposed Dividend | - | 100.88 |
| Provision for Tax on Proposed Dividend | - | 16.37 |
| | <u>725.48</u> | <u>863.37</u> |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

Note 9

TANGIBLE ASSETS

| Particulars | Gross block | | | Depreciation | | | Net block | | | |
|----------------------------------|-----------------------|---------------------------|----------------------------------|-----------------------|------------------|--------------|-----------|------------------|------------------|------------------|
| | Cost as at 01-04-2011 | Additions during the year | Sold / withdrawn during the year | Cost as at 31-03-2012 | Up to 31-03-2011 | For the year | Withdrawn | Up to 31-03-2012 | As at 31-03-2012 | As at 31-03-2011 |
| Land | 277.99 | 0.51 | - | 278.50 | - | - | - | - | 278.50 | 277.99 |
| Buildings | 2500.11 | 19.53 | - | 2519.64 | 402.51 | 83.86 | - | 486.37 | 2033.27 | 2097.60 |
| Plant and machinery | 18642.12 | 283.72 | 2.54 | 18923.30 | 3593.80 | 994.54 | 0.57 | 4587.77 | 14335.53 | 15048.32 |
| Electrical machinery | 912.21 | 4.36 | - | 916.57 | 215.26 | 43.59 | - | 258.85 | 657.72 | 696.95 |
| Furniture & Office Equipments | 110.97 | 23.53 | - | 134.50 | 48.37 | 8.65 | - | 57.02 | 77.48 | 62.60 |
| Vehicles | 24.36 | - | 3.05 | 21.31 | 1.48 | 2.17 | 0.72 | 2.93 | 18.38 | 22.88 |
| Total - Tangible Assets | 22467.76 | 331.65 | 5.59 | 22793.82 | 4261.42 | 1132.81 | 1.29 | 5392.94 | 17400.88 | 18206.34 |
| INTANGIBLE ASSETS | | | | | | | | | | |
| Computer Software | 25.70 | - | - | 25.70 | 22.52 | - | - | 22.52 | 3.18 | 3.18 |
| Total - Intangible Assets | 25.70 | - | - | 25.70 | 22.52 | - | - | 22.52 | 3.18 | 3.18 |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

| | (Rs. in Lakhs) | | | |
|---|---------------------|----------------------------|--------|--------|
| Particulars | As at 31-03-2012 | As at 31-03-2011 | | |
| Note 10 | | | | |
| NON-CURRENT INVESTMENTS | | | | |
| A. Investment in Equity Instruments, Non - Trade | | | | |
| Name of the Company | No.of. Shares | Total face Value Rs. | Cost | Cost |
| a) Quoted | | | | |
| Associate Companies | | | | |
| Rajapalayam Mills Limited | 500 | 5,000 | 0.69 | 0.69 |
| Sub-Total (A) | | | 0.69 | 0.69 |
| b) Unquoted | | | | |
| (I) SHARES OF JOINT STOCK COMPANIES : FULLY PAID-UP | | | | |
| Subsidiary Company | | | | |
| Deccan Renewable Wind Electrics Limited | 500,000 | 500,000 | 5.00 | 5.00 |
| Associate Companies | | | | |
| Ramco Group Employee Co.op. Stores Ltd. | 50 | 500 | 0.01 | 0.01 |
| Ontime Transport Co.Ltd | 20,000 | 2,00,000 | 2.00 | 2.00 |
| Sub-Total (B) | | | 7.01 | 7.01 |
| Aggregate value of Investments (A+B) | | | 7.70 | 7.70 |
| Aggregate Value of: | | | | |
| Quoted Investments - Cost | | | 0.70 | 0.70 |
| Market Value | | | 0.96 | 1.41 |
| Unquoted Investments - Cost | | | 7.01 | 7.01 |
| Note 11 | | | | |
| LONG TERM LOANS AND ADVANCES | | | | |
| Unsecured, considered good | | | - | - |
| Security Deposits | | | 212.89 | 221.84 |
| | | | 212.89 | 221.84 |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

| Particulars | As at 31-03-2012 | As at 31-03-2011 |
|---|---------------------|---------------------|
| (Rs. in Lakhs) | | |
| Note 12 | | |
| INVENTORIES | | |
| Finished Goods | 610.62 | 1,749.56 |
| Rawmaterials - Cotton & Cotton Waste | 692.93 | 2,186.73 |
| Stores and Spares | 55.72 | 48.00 |
| Process Stock | 258.50 | 584.11 |
| | 1,617.77 | 4,568.40 |
| Details of Process Stock | | |
| Cotton Yarn | 258.50 | 584.11 |
| | 258.50 | 584.11 |
| Mode of valuation of inventories are disclosed in Accounting Policies in Note 24. | | |
| Note 13 | | |
| TRADE RECEIVABLES | | |
| Unsecured, considered good for a period exceeding six months | - | - |
| Other Trade Receivables | 663.32 | 1,984.93 |
| | 663.32 | 1,984.93 |
| Note 14 | | |
| CASH AND BANK BALANCES | | |
| Cash on Hand | 1.07 | 0.54 |
| Balance with Bank | | |
| In Current Account | (29.96) | 250.68 |
| In Deposit Account for Margin Money | 40.50 | 23.36 |
| In Unclaimed Dividend Warrant Account | 9.15 | 7.58 |
| Cheques on hand | 47.32 | 16.49 |
| | 68.08 | 298.65 |
| Note 15 | | |
| SHORT TERM LOANS AND ADVANCES | | |
| Unsecured, considered good | | |
| Advance to Suppliers | 21.00 | 60.09 |
| Advance Income-Tax & TDS and Refund Due | 664.88 | 628.75 |
| | 685.88 | 688.84 |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

| Particulars | As at 31-03-2012 | As at 31-03-2011 |
|---|---------------------|---------------------|
| (Rs. in Lakhs) | | |
| Note 16 | | |
| OTHER CURRENT ASSETS | | |
| Accrued Income | 395.81 | 591.88 |
| Prepaid Expenses | 34.61 | 26.41 |
| Other Current Assets | 18.66 | 82.46 |
| | 449.08 | 700.75 |
| | 449.08 | 700.75 |
| | | |
| Note 17 | | |
| REVENUE FROM OPERATION | | |
| Sale of Products | | |
| Yarn | 11,957.16 | 12,724.91 |
| Waste Cotton | 126.98 | 74.94 |
| | 12,084.14 | 12,799.85 |
| Other Operating Revenues | | |
| Value of Power Generated from Wind Mills | 748.54 | 446.02 |
| Export Incentive | 46.39 | - |
| Job Work Charges Received | 25.62 | 8.64 |
| | 12,904.69 | 13,254.51 |
| | 12,904.69 | 13,254.51 |
| | | |
| Note 18 | | |
| OTHER INCOME | | |
| Interest Received | 29.23 | 18.11 |
| Dividend Income | 0.04 | 0.02 |
| Carbon Credit Sale | 6.70 | - |
| Industrial Promotion Assistance | 89.52 | - |
| Miscellaneous Income | 0.61 | 0.73 |
| Profit /(Loss) on Sale of Assets | (2.61) | - |
| Exchange Gain / (Loss) on Foreign Currency Transactions - Net | (113.54) | 17.17 |
| | 9.95 | 36.03 |
| | 9.95 | 36.03 |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

| Particulars | (Rs. in Lakhs) | |
|--|---------------------|---------------------|
| | As at 31-03-2012 | As at 31-03-2011 |
| Note 19 | | |
| COST OF MATERIALS CONSUMED | | |
| Rawmaterials Consumed | | |
| Cotton & Cotton Waste | 7,389.79 | 6,930.05 |
| | <u>7,389.79</u> | <u>6,930.05</u> |
| | | |
| Note 20 | | |
| CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS | | |
| Opening Stock | | |
| Finished Goods | 1,749.56 | 101.34 |
| Work-in-Progress | <u>584.11</u> | <u>585.40</u> |
| | 2,333.67 | 686.74 |
| Less: | | |
| Closing Stock | | |
| Finished Goods | 610.62 | 1,749.56 |
| Work-in-Progress | <u>258.50</u> | <u>584.11</u> |
| | 869.12 | 2,333.67 |
| | <u>1,464.55</u> | <u>(1,646.93)</u> |
| | | |
| Note 21 | | |
| EMPLOYEE BENEFITS | | |
| Salaries , Wages and Bonus | 592.97 | 536.22 |
| Contribution to Provident and Other Funds | 98.64 | 80.70 |
| Staff and Labour Welfare Expenses | <u>41.76</u> | <u>37.64</u> |
| | <u>733.37</u> | <u>654.56</u> |
| | | |
| Note 22 | | |
| FINANCE COSTS | | |
| Interest Expenses | 1,989.86 | 1,482.31 |
| Other Borrowing Costs | <u>6.60</u> | <u>6.58</u> |
| | <u>1,996.46</u> | <u>1,488.89</u> |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

| Particulars | As at 31-03-2012 | As at 31-03-2011 |
|---------------------------------|---------------------|---------------------|
| (Rs. in Lakhs) | | |
| Note 23 | | |
| OTHER EXPENSES | | |
| Manufacturing Expenses | | |
| Power and Fuel | 1,542.51 | 1,826.67 |
| Packing Materials | 150.93 | 150.19 |
| Repairs to Buildings | 27.09 | 27.63 |
| Repairs to Plant and Machinery | 180.45 | 159.39 |
| Repairs - General | 142.39 | 136.71 |
| Jobwork Charges Paid | 7.66 | 23.83 |
| | 2,051.03 | 2,324.42 |
| Establishment Expenses | | |
| Managing Director Remuneration | 27.88 | 105.36 |
| Rates and Taxes | 10.32 | 11.88 |
| Insurance | 17.42 | 14.96 |
| Postage and Telephone | 3.95 | 6.84 |
| Printing and Stationery | 3.91 | 4.70 |
| Travelling Expenses | 23.23 | 29.80 |
| Vehicle Maintenance | 10.97 | 7.84 |
| Directors Sitting Fees | 1.05 | 1.25 |
| Rent | - | 0.66 |
| Audit and Legal Expenses | 9.78 | 10.27 |
| Corporate Social Responsibility | 0.36 | 0.74 |
| Miscellaneous Expenses | 47.89 | 140.82 |
| | 156.76 | 335.12 |
| Selling Expenses | | |
| Sales Commission | 121.15 | 142.81 |
| Export Expenses | 13.97 | 23.93 |
| Other Selling Expenses | 53.95 | 38.06 |
| | 189.07 | 204.80 |
| | 2,396.86 | 2,864.34 |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

NOTE 24

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

- (i) The financial statements have been prepared under the historical cost convention and in accordance with the generally accepted accounting principles, the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and notified under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act 1956, as adopted consistently by the Company.
- (ii) The Company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

2. Depreciation

- (i) On all Assets acquired upto 31.03.2001, Depreciation has been provided at the rates specified in Schedule XIV before amendment by notification dt. 16.12.93.
- (ii) From the year 2001-02 onwards calculation of depreciation on Plant and machinery, have been on technical assessment, treated as 'continuous process plant' as defined in the said Schedule and depreciation has been provided accordingly.

3. Use of Estimates

The preparation of financial statements in accordance with the generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates in the future periods.

4. Tangible Fixed Assets

- (i) Tangible Fixed Assets are stated at cost of acquisition (net of CENVAT/VAT wherever applicable) less accumulated depreciation/amortisation and impairment losses if any, except freehold land which is carried at cost less impairment losses if any. The cost comprises purchase price, borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the asset beyond its previously assessed standard of performance. All other expenses on fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.
- (ii) Gains or losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of such assets are recognised in the statement of profit and loss.

5. Intangible Assets

The cost of computer software that are installed are accounted at cost for acquisition of such software and are carried at cost less accumulated amortisation and impairment, if any. Internally generated software is not capitalized and the expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

6. Investments

All Investments being long term & non-trade are stated at cost.

7. Inventories

- (i) Raw materials, stores, spares, packing materials etc., are valued at cost including the cost incurred in bringing the inventories to their present location and condition.
- (ii) Process stock is valued at cost including the cost of conversion. The cost of conversion includes direct costs.
- (iii) Finished goods are valued at cost or net realisable value whichever is lower. Cost includes cost of conversion and other costs incurred in bringing the inventory to their present location and condition.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

8. Revenue recognition

- (i) Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
- (ii) Sale of products is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer. Sale value excludes Excise duty, Education Cess, Secondary and Higher education cess, VAT and CST.
- (iii) Dividend income is recognised when the Company's right to receive dividend is established by the reporting date.
- (iv) Income from Wind Mills:
Units generated from windmills are adjusted against the consumption of power at our Mills. The monetary value of the units so adjusted, calculated at the prevailing EB rates net of wheeling charges has been included in power & fuel. The value of unadjusted units as on the Balance Sheet date has been included in Advances recoverable in cash or in kind under the note loans and advances.

9. Employee Benefits

- (i) Short-term employee benefit viz., Salaries and Wages, are recognized as an expense at the undiscounted amount in the statement of profit and loss for the year in which the related service is rendered.
- (ii) Defined Contribution plan viz., Contributions to Provident fund and Superannuation fund are recognized as an expense in the statement of profit and loss for the year in which the employees have rendered services. The Company contributes to Provident fund administered by the Government on a monthly basis at 12% of employee's basic salary. The Company also contributed for superannuation a sum equivalent to 15% of the employee's eligible annual basic salary subject to a maximum of Rs. 1 Lakh per employee to funds administered by trustees and managed by LIC of India annually. There are no other obligations other than the above defined contribution plans.

(iii) Defined Benefit Plan:

Gratuity:

The Company has its own approved Gratuity Fund. It is in the form of lump sum payments to vested employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 Day's basic salary payable for each completed year of service. Vesting occurs upon completion of five years of continuous service. The Company makes annual contributions to funds administered by trustees and managed by LIC of India, based on the actuarial valuation by an independent external actuary as at the Balance sheet date using the projected unit credit method.

Leave Encashment:

The Company has a policy of allowing encashment of unavailed leave for its employees. The obligation for the leave encashment is recognized based on an independent external actuarial valuation at the Balance Sheet date. The expense is recognized at the present value of the amount payable determined based on actuarial valuation using projected unit credit method.

10. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Un-provided contingent liabilities are disclosed in the Accounts by way of Notes. Contingent Assets are not recognized.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

11. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction of qualifying assets are capitalized as part of the cost of those assets as per Accounting Standard-16 (Borrowing Costs). All other borrowing costs are charged to revenue.

12. Government Subsidy / Grant

- (i) Interest subsidy under Technology Upgradation Fund Scheme (TUF) is credited to the Interest and Finance Charges.
- (ii) Power Subsidy under Industrial Investment Promotion Policy of Andhra Pradesh is credited to the Power & Fuel cost.
- (iii) Other subsidies under Industrial Investment Promotion Policy of Andhra Pradesh are credited to Industrial Promotion Assistance under Note "Other Income".

13. Foreign Currency Transactions

- (i) Transactions in Foreign Currency are accounted at the exchange rates prevailing at the time of transaction.
- (ii) Covered liabilities in foreign currencies are accounted at the rate at which they have been covered. Uncovered liabilities in foreign currency are accounted at the rates as on the Balance Sheet date.
- (iii) The difference between the forward rate and the exchange rate at the inception of a forward exchange contract is recognized as income or expense over the life of contract.
- (iv) Exchange difference in respect of uncovered foreign currency liabilities are recognized in the profit and loss account.

14. Earnings per share

Net Profit / (Loss) after tax is divided by weighted average number of equity shares as stipulated in Accounting Standard - 20 (Earnings per share).

15. Income tax

The tax provision is considered as stipulated in Accounting Standard-22 (Accounting for Taxes on income) and includes current and deferred tax liability. The Company recognizes the deferred tax liability based on the accumulated timing difference using the current tax rate.

16. Segment Reporting

The Company has identified two reportable segments viz., Textiles and Power generation from Windmills as primary business segments considering the nature of the products, the differing risks and returns as per Accounting Standard -17 (Segment Reporting). The valuation of inter segment transfers are based on prevailing market prices.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

Note 25

OTHER DISCLOSURES

1. Contingent Liabilities

| | Rs. In Lakhs |
|---|---------------------|
| (i) Liability on Letter of Credit opened | |
| Capital Goods | NIL |
| Others | NIL |
| (ii) Estimated amount of contracts remaining to be executed on capital account not provided | NIL |
| (iii) Liability on guarantees given by the bankers | 11.40 |
| (iv) Liability on guarantees given to the bankers | NIL |
| (v) Disputed VAT Liability | 21.24 |

2. Income tax assessments have been completed up to the accounting year ended on 31-03-2009 i.e., Assessment year 2009-10.

3. Sales Tax Assessment upto year ended 31st March, 2004 has been completed.

4. Details of Loans from Directors under "Loan from Related Parties".

| | (In Rupees) | | | |
|-----------------------|---|-------------------------|---|-------------------------|
| Name | Closing Balance as on 31-03-2012 | Interest-2011-12 | Closing Balance as on 31-03-2011 | Interest 2010-11 |
| Smt. P.V. Nirmla Raju | 4.32 | 0.59 | 5.58 | 0.63 |
| Smt. SriSandhya Raju | 81.08 | 8.51 | 24.45 | 2.14 |

5. Contribution to Gratuity Fund includes an amount of Rs.4,44,554/- recognized in the current period related to past service liability as at the Balance Sheet in accordance with Accounting Standard -15 (Revised).

6. Auditors' remuneration (including Service Tax) & expenses:

| | (In Rupees) | |
|--|--------------------|----------------|
| | 2011-12 | 2010-11 |
| <u>Statutory Auditors:</u> | | |
| a. As Auditors | 0.62 | 0.60 |
| b. In other Capacities | | |
| (i) For Tax Audit / Tax Representation | 0.48 | 0.84 |
| (ii) Certification Work | 0.26 | 0.68 |
| (iv) Expenses reimbursed | - | 0.24 |
| | 1.35 | 2.36 |

7. As at 31-03-2012, the company has no outstanding dues to micro, small and medium enterprises/small-scale industrial undertaking. This information as 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.

8. The unadjusted units generated from the windmills as on 31-03-2012 is 10,217 units and its monetary value of Rs.28,097/- has been included in Loans and Advances.

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

9. As per Accounting Standard - 15 (Employee Benefits), the disclosures of employee benefits as defined in the Accounting Standard are given below:

Defined Contribution Plan:

| | 2011-12 | (Rs. in Lakhs) 2010-11 |
|--|---------|---------------------------|
| Employer's Contribution to Provident Fund | 18.11 | 14.47 |
| Employer's Contribution to Superannuation Fund | 2.39 | 1.89 |

Details of the post retirement gratuity plan(Funded) are as follows:

Reconciliation of opening and closing balances of defined benefit plan:

| | | |
|---|----------|----------|
| Defined Benefit Obligation as on 01-04-2011 | 59.47 | 46.72 |
| Current Service Cost | 8.51 | 6.70 |
| Past Service Cost | - | 1.97 |
| Interest Cost | 4.62 | 3.67 |
| Actuarial (gain) / loss | 11.72 | 2.01 |
| Benefits paid | (-) 3.36 | (-) 1.60 |
| Defined Benefit obligation as on 31-03-2012 | 80.96 | 59.47 |

Reconciliation of opening and closing balances of fair value of plan assets:

| | | |
|--|----------|----------|
| Fair value of plan assets as on 01-04-2011 | 38.53 | 26.80 |
| Expected return on plan assets | 4.13 | 2.52 |
| Actuarial gain / (loss) | (-) 0.12 | (-) 0.18 |
| Employer Contribution | 29.66 | 10.99 |
| Benefits paid | (-) 3.36 | (-) 1.60 |
| Fair value of plan assets as on 31-03-2012 | 68.84 | 38.53 |

Actual Return of plan assets:

| | | |
|--|----------|----------|
| Expected return of plan assets | 4.13 | 2.52 |
| Actuarial gain / (loss) on plan assets | (-) 0.12 | (-) 0.18 |
| Actual return on plan assets | 4.01 | 2.34 |

Reconciliation of fair value of assets and obligations:

| | | |
|--|-------|-------|
| Fair value of plan assets | 68.84 | 38.53 |
| Present value of obligation | 80.96 | 59.47 |
| Difference | 12.12 | 20.94 |
| Unrecognized transitional liability | - | - |
| Unrecognized past service cost non vested benefits | - | - |
| Amount recognized in Balance Sheet | 12.12 | 20.94 |

Expense recognized during the year:

| | | |
|---|----------|----------|
| Current Service Cost | 8.51 | 6.70 |
| Interest Cost | 4.62 | 3.67 |
| Expected return on plan assets | (-) 4.13 | (-) 2.52 |
| Actuarial (gain) / loss | 11.84 | 2.19 |
| Transitional liability recognized in the year | - | - |
| Past service cost-non-vested benefits | - | - |
| Past service cost-vested benefits | - | 1.97 |
| Net Cost | 20.84 | 12.01 |

Investment Details:

| | | |
|------------------------------|------|------|
| GOI Securities | - | - |
| State Government Securities | - | - |
| High Quality Corporate Bonds | - | - |
| Funds with LIC | 100% | 100% |
| Bank balance | - | - |
| Others | - | - |
| Total | 100% | 100% |

Actuarial assumptions:

| | | |
|---|-------|-------|
| LIC 1994-96 Ultimate Table applied for Service Mortality rate | Yes | Yes |
| Discount rate p.a. | 8.80% | 8.00% |
| Expected rate of return on plan assets p.a. | 8.00% | 8.00% |
| Rate of escalation in salary p.a. | 6.00% | 6.00% |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

| | 2011-12 | 2010-11 |
|---|----------|----------------|
| | | (Rs. in Lakhs) |
| Details of the Leave encashment plan(Un-Funded) are as follows: | | |
| Reconciliation of opening and closing balances of defined benefit plan: | | |
| Defined Benefit Obligation as on 01-04-2011 | 12.28 | 12.09 |
| Current Service Cost | 3.64 | 1.92 |
| Interest Cost | 0.90 | 0.97 |
| Actuarial (gain) / loss | 6.43 | (-) 2.70 |
| Benefits paid | (-) 1.94 | - |
| Defined Benefit obligation as on 31-03-2012 | 21.31 | 12.28 |
| Reconciliation of opening and closing balances of fair value of plan assets: | | |
| Fair value of plan assets as on 01-04-2011 | - | - |
| Expected return on plan assets | - | - |
| Actuarial gain / (loss) | - | - |
| Employer Contribution | 1.94 | - |
| Benefits paid | (-) 1.94 | - |
| Fair value of plan assets as on 31-03-2012 | - | - |
| Actual Return of plan assets: | | |
| Expected return of plan assets | - | - |
| Actuarial gain / (loss) on plan assets | - | - |
| Actual return on plan assets | - | - |
| Fair value of plan assets | - | - |
| Present value of obligation | 21.31 | 12.28 |
| Difference | 21.31 | 12.28 |
| Unrecognized transitional liability | - | - |
| Unrecognized past service cost non vested benefits | - | - |
| Amount recognized in Balance Sheet | 21.31 | 12.28 |
| Expense recognized during the year: | | |
| Current Service Cost | 3.64 | 1.92 |
| Interest Cost | 0.90 | 0.97 |
| Expected return on plan assets | - | - |
| Actuarial (gain) / loss | 6.43 | (-) 2.70 |
| Transitional liability recognized in the year | - | - |
| Past service cost-non-vested benefits | - | - |
| Past service cost-vested benefits | - | - |
| Net Cost | 10.97 | 0.19 |
| Investment Details as on 31-03-2012: | | |
| GOI Securities | - | - |
| State Government Securities | - | - |
| High Quality Corporate Bonds | - | - |
| Funds with LIC | - | - |
| Bank balance | - | - |
| Others | - | - |
| Total | - | - |
| Actuarial assumptions | | |
| LIC 1994-96 Ultimate Table applied for Service Mortality rate | Yes | Yes |
| Discount rate p.a. | 8.80% | 8.00% |
| Expected rate of return on plan assets p.a. | NA | NA |
| Rate of escalation in salary p.a. | 6.00% | 6.00% |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

10. The Segment Information for the year ended 31st March, 2012 detailed as below: (Rs. in Lakhs)

| Particulars | Textiles | | Windmill Power | | Total | |
|--------------------------------------|------------------|------------------|----------------|---------------|-------------------|------------------|
| | 2011-12 | 2010-11 | 2011-12 | 2010-11 | 2011-12 | 2010-11 |
| REVENUE | | | | | | |
| External Sales (Net) | 12,156.15 | 12,808.49 | – | – | 12,156.15 | 12,808.49 |
| Inter Segment Sale | | | 748.54 | 446.02 | 748.54 | 446.02 |
| Total Sales | 12,156.15 | 12,808.49 | 748.54 | 446.02 | 12,904.69 | 13,254.51 |
| Other Income | 9.95 | 36.03 | – | – | 9.95 | 36.03 |
| Total Revenue | 12,166.10 | 12,844.52 | 748.54 | 446.02 | 12,914.64 | 13,290.54 |
| RESULT | | | | | | |
| Segment Result | (2,223.63) | 1,993.30 | 24.43 | 7.20 | (2,199.20) | 2,000.50 |
| Unallocated Income | | | | | (29.23) | (18.11) |
| Unallocated Expenses | | | | | | |
| Operating Profit | | | | | (2,228.42) | 1,982.39 |
| Interest Expenses | | | | | – | – |
| Interest Income | | | | | 29.23 | 18.11 |
| Provision for Taxation | | | | | | |
| Current Tax | | | | | – | 407.00 |
| Deferred Tax | | | | | (749.00) | 657.00 |
| Profit from ordinary activities | | | | | (1,450.20) | 936.50 |
| Exceptional Items | | | | | – | – |
| Net Profit | | | | | (1,450.20) | 936.50 |
| OTHER INFORMATION | | | | | | |
| Segment Assets | 16,885.63 | 22,173.95 | 4,232.52 | 4,510.72 | 21,118.15 | 26,684.67 |
| Unallocated Assets | | | | | – | – |
| Total Assets | | | | | 21,118.15 | 26,684.67 |
| Segment Liabilities | 7,959.19 | 10,705.95 | 2,959.52 | 3,485.27 | 10,918.71 | 14,191.22 |
| Unallocated Liabilities | | | | | 10,308.88 | 11,152.69 |
| Total Liabilities | | | | | 21,227.59 | 25,343.91 |
| Capital Expenditure | 331.65 | 798.15 | – | 2,968.51 | 331.65 | 3,766.76 |
| Unallocated Capital Expenditure | | | | | – | – |
| Depreciation | 854.57 | 816.54 | 278.23 | 182.59 | 1,132.81 | 999.13 |
| Unallocated Depreciation Expenditure | | | | | – | – |
| Non-Cash expenses | | | | | | |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

| | (Rs. in Lakhs) | |
|--|----------------|-----------|
| | 2011-12 | 2010-11 |
| 11. Earning per Share | | |
| Particulars | 2011-12 | 2010-11 |
| Net (Loss) / Profit after tax (A) | (1450.20) | 936.50 |
| No. of Shares (B) | 16,81,400 | 16,81,400 |
| Basic & Diluted earnings per share for Rs.10/- each (A)/(B) (in Rs.) | (86.25) | 56.00 |

12. RELATED PARTY TRANSACTIONS

As per Accounting Standard-18 (Related Party Disclosures) issued by the Institute of Chartered Accountants of India, the Company's related parties are given below:

Key Management Personnel & Relatives.

Shri. P.R. Ramasubrahmaneya Rajha, Chairman

Smt SriSandhya Raju, Managing Director

Smt. R. Sudarsanam, Director

Shri. P.R. Venketrama Raja, Director

Smt P.V.Nirmala Raju, Director

The Company's transactions with the above persons are furnished in Item No. 4 of Note 25 above.

Enterprises over which the above persons exercise significant influences and with which the Company had transactions during the year:

M/s Madras Cements Limited

M/s Rajapalayam Mills Limited

M/s Sri Vishnu Shankar Mill Limited

M/s The Ramaraju Surgical Cotton Mills Limited

M/s Thanjavur Spinning Mill Limited

M/s Ramco Industries Limited

M/s Ramco Systems Limited

The Company's transactions with the above Related Parties are summarized below:

(a) Inter Corporate Deposits Accepted: (Rs in Lakhs)

| Name of the Related Party | Maximum Outstanding 2011-12 | Interest 2011-12 | Outstanding as on 31-03-2012 ICD | Outstanding as on 31-03-2012 INTEREST |
|---------------------------|-----------------------------|------------------|----------------------------------|---------------------------------------|
| Rajapalayam Mills Ltd | 786 | 75.04 | 186 | NIL |

(b) Inter Corporate Deposits Accepted:

| Name of the Related Party | Maximum Outstanding 2010-11 | Interest 2010-11 | Outstanding as on 31-03-2011 ICD | Outstanding as on 31-03-2011 INTEREST |
|---------------------------|-----------------------------|------------------|----------------------------------|---------------------------------------|
| Rajapalayam Mills Ltd | 1,800 | 85.75 | 786 | NIL |

(c) Inter Corporate Deposits Given:

| Name of the Related Party | Maximum Outstanding 2010-11 | Interest 2010-11 | Outstanding as on 31-03-2011 ICD | Outstanding as on 31-03-2011 INTEREST |
|------------------------------|-----------------------------|------------------|----------------------------------|---------------------------------------|
| Thanjavur Spinning Mill Ltd. | 400 | 5.09 | NIL | NIL |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

(Rs. in Lakhs)

(d) Good Supplied / Services rendered:

| Name of the Related Party | Value | Outstanding as on | |
|--|-------|-------------------|------------|
| | | 31-03-2012 | 31-03-2011 |
| The Ramaraju Surgical Cotton Mills Ltd | 12.27 | NIL | 106.61 |
| Sri Vishnu Shankar Mill Ltd | 2.15 | NIL | 47.64 |
| Rajapalayam Mills Ltd., | 0.30 | NIL | 76.64 |
| Ramco Industries Ltd | 86.74 | NIL | 120.14 |
| Thanjavur Spinning Mill Ltd | 17.59 | NIL | 0.49 |
| Madras cements Ltd., | 20.34 | NIL | – |
| Rajapalayam Spinners Ltd., | 0.04 | NIL | – |

(e) Cost of Goods & Services purchased / availed:

| Name of the Related Party | Value | Outstanding as on | |
|--|--------|-------------------|------------|
| | | 31-03-2012 | 31-03-2011 |
| The Ramaraju Surgical Cotton Mills Ltd | 6.87 | NIL | 197.19 |
| Sri Vishnu Shankar Mill Ltd | 40.14 | NIL | 17.76 |
| Rajapalayam Mills Ltd | 59.17 | NIL | 96.05 |
| Madras Cements Ltd | 60.96 | NIL | 101.90 |
| Ramco Industries Ltd | 73.89 | NIL | 226.27 |
| Ramco System Ltd | 5.47 | NIL | 5.29 |
| Shri Harini Textile Ltd., | 0.07 | NIL | – |
| Thanjavur Spinning Mill Ltd | 199.75 | NIL | 52.18 |

(f) Amount paid by virtue of joint ownership of shares of APGPCL:

| Name of the Related Party | Value | Outstanding as on | |
|---------------------------|-------|-------------------|------------|
| | | 31-03-2012 | 31-03-2011 |
| Madras Cements Ltd | 2.90 | NIL | 3.82 |

(g) Purchase of Wind Electric Generators with Capacity of 800 KVA:

| Name of the Related Party | Value | | Outstanding as on | |
|---------------------------|---------|----------|-------------------|---------|
| | 2011-12 | 2010-11 | 2011-12 | 2010-11 |
| Madras Cements Ltd. | - | 3,040.97 | NIL | NIL |

13. Other additional information pursuant to the revised Schedule VI of the Companies Act, 1956. (Rs. in Lakhs)

(a) Value of Imports calculated on CIF Value

| | 2011-12 | 2010-11 |
|-----------------------|---------|---------|
| Raw Materials | 408.75 | 645.92 |
| Components and Spares | 58.93 | 29.03 |
| Capital Goods | 210.26 | 180.52 |

(b) Expenditure in Foreign Exchange during the year

| | 2011-12 | 2010-11 |
|-------------|---------|---------|
| Total Value | 629.27 | 845.69 |

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM
NOTES FORMING PART OF FINANCIAL STATEMENTS

(c) Value of Raw Materials, Stores & Spare parts consumed

| | 2011-12 | | 2010-11 | |
|-----------------------|--------------|----|--------------|----|
| | Rs. in Lakhs | % | Rs. in Lakhs | % |
| Raw Materials | 145.69 | 2 | 991.08 | 14 |
| Imported | 7,244.09 | 98 | 5,973.74 | 86 |
| Indigenous | | | | |
| Spares and Components | | | | |
| Imported | 38.43 | 10 | 40.92 | 11 |
| Indigenous | 328.64 | 90 | 319.57 | 89 |

(d) Earnings in Foreign exchange (FOB Value)

| | 2011-12 | 2010-11 |
|----------------|---------|----------|
| Export on Yarn | 884.04 | 2,422.98 |

14. The financial statement for the year ended 31st March, 2011 has been prepared as per the then applicable, pre-revised Schedule VI of the Companies Act, 1956. Consequent to the notification under the Companies Act, 1956, the financial statement for the year ended 31st March, 2012 are prepared under the revised Schedule VI. Accordingly, the previous year's figures have also been reclassified to confirm to the current year's classification.

15. Figures have been rounded off to Lakhs with two decimals.

(Signature to Schedules 1 to 25)

(As per our report annexed)
For N.A. JAYARAMAN & CO.,
Chartered Accountants
FRN-001310S

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

SMT R. SUDARSANAM
N.K. SHRIKANTAN RAJA
K.T. KRISHNAN

R. PALANIAPPAN
Proprietor
Membership No.205112

SMT. SRISANDHYA RAJU
Managing Director

S. KANTHIMATHINATHAN
Directors

Rajapalaiyam,
28th May, 2012

SANDHYA SPINNING MILL LTD., RAJAPALAIYAM

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Company : **DECCAN RENEWABLE WIND ELECTRICS LIMITED** (Wholly Owned Subsidiary)

1. The Company holds 5,00,000 equity shares of Rs. 1/- each as on 31-03-2012.
2. The Net Loss of Rs. 0.63 lakhs of the subsidiary company for the year ended 31st March, 2012 has not been dealt within the company's account.

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

SMT. R. SUDARSANAM
N.K. SHRIKANTAN RAJA
K.T. KRISHNAN

SMT. SRISANDHYA RAJU
Managing Director

S. KANTHIMATHINATHAN
Directors

Rajapalayam,
28th May, 2012

SANDHYA SPINNING MII LTD.

Detail of Subsidiary Company : **DECCAN RENEWABLE WIND ELECTRICS LIMITED**

| | | (Rs. in Lakhs) |
|-----|------------------------|----------------|
| 1. | Capital | : 5.00 |
| 2. | Reserves & Surplus | : Nil |
| 3. | Total Assets | : 580.48 |
| 4. | Total Liabilities | : 581.11 |
| 5. | Total Investments | : Nil |
| 6. | Total Income | : Nil |
| 7. | Profit before Taxation | : (0.63) |
| 8. | Provision for Taxation | : Nil |
| 9. | Profit after Taxation | : (0.63) |
| 10. | Dividends | : Nil |

CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF SANDHYA SPINNING MILL LTD ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD AND ITS SUBSIDIARY

We have examined the attached Consolidated Balance Sheet of Sandhya Spinning Mill Ltd and its subsidiary as at 31st March, 2012 and the Consolidated Statement of Profit and Loss for the year ended 31st March, 2012.

These financial statements are the responsibility of the management of Sandhya Spinning Mill Ltd. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with identified financial reporting framework and are free from material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, on Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Sandhya Spinning Mill Ltd and its subsidiary included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual financial statements of Sandhya Spinning Mill Ltd and its subsidiary, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting policies generally accepted in India:

- (a) In the case of the Consolidated Balance Sheet of the consolidated state of affairs of Sandhya Spinning Mill Ltd and its subsidiary as at March 31, 2012,
- (b) In the case of the Consolidated Statement of Profit and Loss of the consolidated results of the operations of Sandhya Spinning Mill Ltd and its subsidiary for the year then ended and
- (c) In the case of the Consolidated Cash Flow Statements of the Cash Flow of Sandhya Spinning Mill Ltd and its subsidiary for the year ended.

For N.A. JAYARAMAN & CO.
Chartered Accountants
FRN-001310S

(R. Palaniappan)
Proprietor.
Membership No. 205112

Rajapalaiyam,
28th May, 2012.

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
BALANCE SHEET AS AT 31ST MARCH 2012**

| | | (Rs. in Lakhs) | | | |
|---|------|---------------------|---------------------|-----------------|------------------|
| | Note | AS AT 31-03-2012 | AS AT 31-03-2011 | | |
| I EQUITY AND LIABILITIES | | | | | |
| (1) Shareholders' Fund | | | | | |
| (a) Share Capital | 1 | 168.14 | | 168.14 | |
| (b) Reserves and Surplus | 2 | <u>(278.21)</u> | (110.07) | <u>1,172.61</u> | 1,340.75 |
| (2) Non Current Liabilities | | | | | |
| (a) Long Term Borrowings | 3 | 10,918.71 | | 14,191.22 | |
| (b) Deferred Tax Liabilities | 4 | 585.00 | | 1,334.00 | |
| (c) Long Term Provisions | 5 | <u>18.15</u> | 11,521.86 | <u>12.28</u> | 15,537.50 |
| (3) Current Liabilities | | | | | |
| (a) Short Term Borrowings | 6 | 6,069.15 | | 6,102.30 | |
| (b) Trade Payables | | 674.73 | | (14.54) | |
| (c) Other Current Liabilities | 7 | 2,812.48 | | 2,855.39 | |
| (d) Short Term Provisions | 8 | <u>725.48</u> | 10,281.84 | <u>863.37</u> | 9,806.52 |
| TOTAL | | | <u>21,693.63</u> | | <u>26,684.77</u> |
| II ASSETS | | | | | |
| (1) Non Current Assets | | | | | |
| (a) Fixed Assets | | | | | |
| (i) Tangible Assets | 9 | 17,400.88 | | 18,206.33 | |
| (ii) Intangible Assets | 9 | 3.18 | | 3.18 | |
| (iii) Capital Work-in-Progress | | <u>9.37</u> | | <u>4.04</u> | |
| | | | 17,413.43 | | 18,213.55 |
| (b) Non Current Investments | 10 | | 2.70 | | 2.70 |
| (c) Long term Loans and Advances | 11 | | 212.89 | | 221.84 |
| (2) Current Assets | | | | | |
| (a) Inventories | 12 | 1,617.77 | | 4,568.40 | |
| (b) Trade Receivables | 13 | 663.32 | | 1,984.93 | |
| (c) Cash and Bank Balances | 14 | 71.66 | | 302.00 | |
| (d) Short Term Loan and Advances | 15 | 1,261.38 | | 688.84 | |
| (e) Other Current Assets | 16 | <u>450.48</u> | 4,064.61 | <u>702.51</u> | 8,246.68 |
| TOTAL | | | <u>21,693.63</u> | | <u>26,684.77</u> |

Significant Accounting Policies 24

Notes on Financial Statements 25

The notes form an integral part of these financial statements.

(As per our report annexed)
For N.A. JAYARAMAN & CO.,
Chartered Accountants
FRN-001310S

R. PALANIAPPAN
Proprietor
Membership No.205112

Rajapalayam,
28th May, 2012

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

SMT. SRISANDHYA RAJU
Managing Director

SMT R. SUDARSANAM

N.K. SHRIKANTAN RAJA

K.T. KRISHNAN

S. KANTHIMATHINATHAN

Directors

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2012**

| | | (Rs. in Lakhs) | | |
|-------------|--|----------------------------------|----------------------------------|------------------|
| Particulars | Note | For the year ended 31-03-2012 | For the year ended 31-03-2011 | |
| I | Revenue from Operations | 17 | 12,904.69 | 13,254.51 |
| II | Other Income | 18 | 9.95 | 36.03 |
| III | Total Revenue (I+II) | | <u>12,914.64</u> | <u>13,290.54</u> |
| IV | EXPENSES | | | |
| | Cost of Materials Consumed | 19 | 7,389.79 | 6,930.05 |
| | Changes in Inventories of Finished Goods and Work-in-progress | 20 | 1,464.55 | (1,646.93) |
| | Employee Benefit Expenses | 21 | 733.37 | 654.56 |
| | Finance Costs | 22 | 1,996.46 | 1,488.89 |
| | Depreciation | | 1,132.81 | 999.13 |
| | Other Expenses | 23 | 2,397.49 | 2,864.34 |
| | Total Expenses | | <u>15,114.47</u> | <u>11,290.04</u> |
| V | Profit / (Loss) Before Exceptional and Extraordinary items and Tax (III-IV) | | (2,199.83) | 2,000.50 |
| VI | Exceptional & Extraordinary Items | | | |
| VII | Profit / (Loss) Before Tax (V-VI) | | (2,199.83) | 2,000.50 |
| VIII | Tax Expenses | | | |
| | Current Tax - MAT | | - | 407.00 |
| | Deferred Tax (Asset) / Liability | | (749.00) | 657.00 |
| IX | PROFIT / (LOSS) FOR THE YEAR (VII-VIII) | | <u>(1,450.83)</u> | <u>936.50</u> |
| X | Earnings per Equity Share of Rs. 10/- each Basic & Diluted (in Rs.) | | (86.29) | 56.00 |
| | Significant Accounting Policies | 24 | | |
| | Notes on Financial Statements | 25 | | |

The notes form an integral part of these financial statements.

(As per our report annexed)
For N.A. JAYARAMAN & CO.,
Chartered Accountants
FRN-001310S

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

SMT R. SUDARSANAM

N.K. SHRIKANTAN RAJA

K.T. KRISHNAN

R. PALANIAPPAN
Proprietor
Membership No.205112

SMT. SRISANDHYA RAJU
Managing Director

S. KANTHIMATHINATHAN

Directors

Rajapalayam,
28th May, 2012

CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

| | (Rs in Lakhs) | |
|--|------------------|------------|
| | 2011-12 | 2010-11 |
| A. Cash flow from Operating activities | | |
| Net Profit before tax and prior period and extraordinary items | (2,199.83) | 2,000.50 |
| Adjustments for : | | |
| Depreciation | 1,132.80 | 999.13 |
| Interest paid | 1,996.46 | 1,488.89 |
| Interest Received | (29.23) | (18.11) |
| Dividend Received | (0.04) | (0.02) |
| Profit on sale of assets | 2.61 | 0.00 |
| | 902.78 | 4,470.39 |
| Operating Profit before Working capital Changes | | |
| Adjustments for : | | |
| Trade Receivables | 1,321.61 | (436.39) |
| Loans and Advances | (275.43) | (449.91) |
| Inventories | 2,950.63 | (2,293.67) |
| Trade Payables & Current liabilities | (356.84) | (193.10) |
| | 5,256.43 | 1,097.32 |
| Cash generated from Operations | | |
| Income tax Paid | (36.13) | (447.34) |
| Net Cash from Operating activities | 5,220.30 | 649.98 |
| | A | |
| B. Cash Flow from Investing activities : | | |
| Purchase of fixed assets | (329.51) | (3,752.17) |
| Sale of assets | (5.79) | 0.19 |
| Interest received | 29.23 | 18.11 |
| Dividend received | 0.04 | 0.02 |
| | (306.03) | (3,733.85) |
| Net Cash used in Investing activities | (306.03) | (3,733.85) |
| | B | |
| C. Cash Flow from Financing activities : | | |
| Proceeds from Long Term borrowings | 963.05 | 2,852.24 |
| Repayment of Long Term Loan | (3,960.81) | (1,570.00) |
| Increase / (Decrease) in working capital borrowings | (33.15) | 3,813.34 |
| Decrease in Inter Corporate Deposits | 0.00 | (414.00) |
| Payment of Dividend and Tax thereon | (117.25) | (58.82) |
| Interest Paid | (1,996.46) | (1,488.89) |
| | (5,144.62) | 3,133.87 |
| Net cash used in financing activities | (5,144.62) | 3,133.87 |
| | C | |
| Net Increase in Cash and Cash Equivalent | (A+B+C) (230.34) | 50.00 |
| Opening balance of Cash and Cash Equivalents (Ref to Note No.14) | D 302.00 | 252.00 |
| Closing balance of Cash and Cash Equivalents (Ref to Note No.14) | E 71.66 | 302.00 |
| Net Increase / (Decrease) in Cash and Cash Equivalent | (E-D) (230.34) | 50.00 |

(As per our report annexed)
For N.A. JAYARAMAN & CO.,
Chartered Accountants
FRN-001310S

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

SMT R. SUDARSANAM
N.K. SHRIKANTAN RAJA
K.T. KRISHNAN

R. PALANIAPPAN
Proprietor
Membership No.205112

SMT. SRISANDHYA RAJU
Managing Director

S. KANTHIMATHINATHAN
Directors

Rajapalayam,
28th May, 2012

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Rs. in Lakhs)

| Particulars | As at 31-03-2012 | As at 31-03-2011 |
|-------------|---------------------|---------------------|
|-------------|---------------------|---------------------|

Note 1

SHARE CAPITAL

Authorised

| | | |
|---|---------------|--------|
| 20,00,000 Equity Shares of Rs.10/- each | 200.00 | 200.00 |
| PY 20,00,000 Equity Shares of Rs.10/- each) | | |

Issued, Subscribed and fully paid-up

| | | |
|--|----------------------|---------------|
| 16,81,400 Equity Shares of Rs.10/- each | 168.14 | 168.14 |
| (PY 16,81,400 Equity Shares of Rs.10/- each) | | |
| | <u>168.14</u> | <u>168.14</u> |

A. Reconciliation of the number of shares outstanding

| | | |
|-----------------------------------|-------------------------|------------------|
| Number of shares at the beginning | 1,681,400 | 1,681,400 |
| Number of Shares at the end | <u>1,681,400</u> | <u>1,681,400</u> |

B. List of Shareholders holding more than 5 per cent in the Company

| Particulars | As at 31-03-2012 | | As at 31-03-2011 | |
|--------------------------------------|---------------------|---------------|---------------------|--------------|
| | No. of Shares | % of holding | No. of Shares | % of holding |
| Smt. SriSandhya Raju | 350,750 | 20.86% | 350,350 | 20.84% |
| Sri P.V. Abinav Ramasubramaniam Raja | 140,000 | 8.33% | 140,000 | 8.33% |

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

(Rs. in Lakhs)

| Particulars | As at 31-03-2012 | As at 31-03-2011 |
|---|---------------------|---------------------|
| Note 2 | | |
| RESERVES AND SURPLUS | | |
| General Reserve | | |
| Opening Balance | 963.04 | 263.04 |
| Add : Transfer from Surplus Account | <u>(1,241.25)</u> | <u>700.00</u> |
| | (278.21) | 963.04 |
| Surplus in the statement of profit and loss | | |
| Opening Balance | 209.57 | 90.32 |
| Add: Profit / (Loss) for the Year | (1,450.82) | 936.50 |
| Add: Transfer from General Reserve | 0.00 | (700.00) |
| Less: Appropriations | | |
| Proposed Dividends | - | (100.88) |
| Tax on Dividends | - | (16.37) |
| Transfer to Reserve | <u>1,241.25</u> | <u>209.57</u> |
| | <u>(278.21)</u> | <u>1,172.61</u> |

Note 3

LONG TERM BORROWINGS

| | | |
|-------------------------------|------------------|------------------|
| Term Loan from Banks, Secured | <u>10,918.71</u> | <u>14,191.22</u> |
| | <u>10,918.71</u> | <u>14,191.22</u> |

- a) Term Loan from Banks are secured by pari-passu charge on the fixed assets of the Company and a second charge on the current assets of the Company.
- b) The Term Loans from Banks are repayable in quarterly installments. The year wise repayment Term Loans are as follows:

| Year | Amount | Amount |
|---------|-----------|-----------|
| 2012-13 | - | 3,473.75 |
| 2013-14 | 2,355.60 | 2,340.13 |
| 2014-15 | 2,481.77 | 2,296.00 |
| 2015-16 | 1,774.09 | 1,774.09 |
| 2016-17 | 1,779.00 | 1,779.00 |
| 2017-18 | 1,283.00 | 1,283.00 |
| 2018-19 | 1,099.00 | 1,099.00 |
| 2019-20 | 146.25 | 146.25 |
| Total | 10,918.71 | 14,191.22 |

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

| | (Rs. in Lakhs) | |
|---|---------------------|---------------------|
| Particulars | As at 31-03-2012 | As at 31-03-2011 |
| Note 4 | | |
| DEFERRED TAX LIABILITY (NET) | | |
| Deferred Tax Liability | | |
| Tax effect on difference between book depreciation and depreciation under the Income Tax Act, 1961 | 1,334.00 | 677.00 |
| Deferred Tax Asset | | |
| Tax effect on unabsorbed depreciation under Income Tax Act, 1961 | (749.00) | 657.00 |
| Net Deferred Tax Liability | 585.00 | 1,334.00 |
| Note 5 | | |
| LONG TERM PROVISION | | |
| Provision for Employee Benefits | 18.15 | 12.28 |
| | 18.15 | 12.28 |
| Note 6 | | |
| SHORT TERM BORROWINGS | | |
| Secured | | |
| Loan Repayable on Demand from Banks * | 5,950.98 | 2,523.17 |
| Unsecured | | |
| Loan Repayable on Demand from Banks | - | 3,500.00 |
| Deposits | 32.77 | 49.09 |
| Loan from Related Parties | 85.40 | 30.04 |
| | 6,069.15 | 6,102.30 |
| * Loan Repayable on Demand from Banks are secured by pari-passu charge on the current assets of the Company and a second charge on the fixed assets of the Company. | | |
| Note 7 | | |
| OTHER CURRENT LIABILITIES | | |
| Current Maturities of Long Term Debt | 2,687.75 | 2,413.00 |
| Interest Accrued but not Due on Borrowings | 2.83 | 5.55 |
| Unpaid Dividends | 9.15 | 7.58 |
| Liabilities for Other Finance | 112.75 | 429.26 |
| | 2,812.48 | 2,855.39 |
| Note 8 | | |
| SHORT TERM PROVISIONS | | |
| Provision for Employee Benefits | 71.98 | 92.62 |
| Provision for Taxation | 653.50 | 653.50 |
| Proposed Dividend | - | 100.88 |
| Provision for Tax on Proposed Dividend | - | 16.37 |
| | 725.48 | 863.37 |

CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 9

TANGIBLE ASSETS

(Rs. in Lakhs)

| Particulars | Gross block | | | Depreciation | | | Net block | | | |
|----------------------------------|-----------------------|---------------------------|----------------------------------|-----------------------|------------------|--------------|-----------|------------------|------------------|------------------|
| | Cost as at 01-04-2011 | Additions during the year | Sold / withdrawn during the year | Cost as at 31-03-2012 | Up to 31-03-2011 | For the year | Withdrawn | Up to 31-03-2012 | As at 31-03-2012 | As at 31-03-2011 |
| Land | 277.99 | 0.51 | - | 278.50 | - | - | - | - | 278.50 | 277.99 |
| Buildings | 2500.11 | 19.53 | - | 2519.64 | 402.51 | 83.86 | - | 486.37 | 2033.27 | 2097.60 |
| Plant and machinery | 18642.12 | 283.72 | 2.54 | 18923.30 | 3593.80 | 994.54 | 0.57 | 4587.77 | 14335.53 | 15048.32 |
| Electrical machinery | 912.21 | 4.36 | - | 916.57 | 215.26 | 43.59 | - | 258.85 | 657.72 | 696.95 |
| Furniture & Office Equipments | 110.97 | 23.53 | - | 134.50 | 48.37 | 8.65 | - | 57.02 | 77.48 | 62.59 |
| Vehicles | 24.36 | - | 3.05 | 21.31 | 1.48 | 2.17 | 0.72 | 2.93 | 18.38 | 22.88 |
| Total - Tangible Assets | 22467.76 | 331.65 | 5.59 | 22793.82 | 4261.42 | 1132.81 | 1.29 | 5392.94 | 17400.88 | 18206.33 |
| INTANGIBLE ASSETS | | | | | | | | | | |
| Computer Software | 25.70 | - | - | 25.70 | 22.52 | - | - | 22.52 | 3.18 | 3.18 |
| Total - Intangible Assets | 25.70 | - | - | 25.70 | 22.52 | - | - | 22.52 | 3.18 | 3.18 |

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

| | (Rs. in Lakhs) | |
|-------------|---------------------|---------------------|
| Particulars | As at 31-03-2012 | As at 31-03-2011 |

Note 10

NON-CURRENT INVESTMENTS

A. Investment in Equity Instruments, Non - Trade

| Name of the Company | No.of. Shares | Total face Value Rs. | Cost | Cost |
|--|---------------|----------------------------|------|------|
| a) Quoted | | | | |
| Associate Companies | | | | |
| Rajapalayam Mills Limited | 500 | 5,000 | 0.69 | 0.69 |
| Sub-Total | (A) | | 0.69 | 0.69 |
| b) Unquoted | | | | |
| (I) SHARES OF JOINT STOCK COMPANIES : FULLY PAID-UP | | | | |
| Associate Companies | | | | |
| Ramco Group Employee Co.op. Stores Ltd. | 50 | 500 | 0.01 | 0.01 |
| Ontime Transport Co.Ltd | 20,000 | 2,00,000 | 2.00 | 2.00 |
| Sub-Total | (B) | | 2.01 | 2.01 |
| Aggregate Value of Investments (A+B) | | | 2.70 | 2.70 |
| Aggregate Value: | | | | |
| Quoted Investments - Cost | | | 0.70 | 0.70 |
| Market Value | | | 0.96 | 1.41 |
| Unquoted Investments - Cost | | | 2.01 | 2.01 |

Note 11

LONG TERM LOANS AND ADVANCES

Unsecured, considered good

| | | |
|-------------------|--------|--------|
| Security Deposits | 212.89 | 221.84 |
| | 212.89 | 221.84 |

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

| Particulars | (Rs. in Lakhs) | |
|--|---------------------|---------------------|
| | As at 31-03-2012 | As at 31-03-2011 |
| Note 12 | | |
| INVENTORIES | | |
| Finished Goods | 610.62 | 1,749.56 |
| Rawmaterials - Cotton & Cotton Waste | 692.93 | 2,186.73 |
| Stores and Spares | 55.72 | 48.00 |
| Process Stock | 258.50 | 584.11 |
| | <u>1,617.77</u> | <u>4,568.40</u> |
| Details of Process Stock | | |
| Cotton Yarn | 258.50 | 584.11 |
| | <u>258.50</u> | <u>584.11</u> |
| Mode of valuation of inventories are disclosed in Accounting Policies in Note 1. | | |
| Note 13 | | |
| TRADE RECEIVABLES | | |
| Unsecured, considered good | | |
| Other Trade Receivables | 663.32 | 1,984.93 |
| | <u>663.32</u> | <u>1,984.93</u> |
| Note 14 | | |
| CASH AND BANK BALANCES | | |
| Cash on Hand | 1.07 | 0.54 |
| Balance with Bank | | |
| In Current Account | (26.38) | 254.03 |
| In Deposit Account for Margin Money | 40.50 | 23.36 |
| In Unclaimed Dividend Warrant Account | 9.15 | 7.58 |
| Cheques on hand | 47.32 | 16.49 |
| | <u>71.66</u> | <u>302.00</u> |
| Note 15 | | |
| SHORT TERM LOANS AND ADVANCES | | |
| Unsecured, considered good | | |
| Advance to Suppliers | 596.50 | 60.09 |
| Advance Income-Tax & TDS and Refund Due | 664.88 | 628.75 |
| | <u>1,261.38</u> | <u>688.84</u> |

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

| Particulars | (Rs. in Lakhs) | |
|---|---------------------|---------------------|
| | As at 31-03-2012 | As at 31-03-2011 |
| Note 16 | | |
| OTHER CURRENT ASSETS | | |
| Accrued Income | 395.81 | 591.88 |
| Prepaid Expenses | 36.01 | 28.17 |
| Other Current Assets | 18.66 | 82.46 |
| | <u>450.48</u> | <u>702.51</u> |
| Note 17 | | |
| REVENUE FROM OPERATION | | |
| Sale of Products | | |
| Yarn | 11,957.16 | 12,724.91 |
| Waste Cotton | <u>126.98</u> | <u>74.94</u> |
| | 12,084.14 | 12,799.85 |
| Other Operating Revenues | | |
| Value of Power Generated from Wind Mills | 748.54 | 446.02 |
| Export Incentive | 46.39 | - |
| Job Work Charges Received | 25.62 | 8.64 |
| | <u>12,904.69</u> | <u>13,254.51</u> |
| Note 18 | | |
| OTHER INCOME | | |
| Interest Received | 29.23 | 18.11 |
| Dividend Income | 0.04 | 0.02 |
| Carbon Credit Sale | 6.70 | - |
| Industrial Promotion Assistance | 89.52 | - |
| Miscellaneous Income | 0.61 | 0.73 |
| Profit /(Loss) on Sale of Assets | (2.61) | - |
| Exchange Gain on Foreign Currency Transactions, Net | (113.54) | 17.17 |
| | <u>9.95</u> | <u>36.03</u> |
| Note 19 | | |
| COST OF MATERIALS CONSUMED | | |
| Rawmaterials Consumed | | |
| Cotton & Cotton Waste | 7,389.79 | 6,930.05 |
| | <u>7,389.79</u> | <u>6,930.05</u> |

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

| Particulars | (Rs. in Lakhs) | |
|--|------------------------|--------------------------|
| | As at 31-03-2012 | As at 31-03-2011 |
| Note 20 | | |
| CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS | | |
| Opening Stock | | |
| Finished Goods | 1,749.56 | 101.34 |
| Work-in-Progress | <u>584.11</u> | <u>585.40</u> |
| | 2,333.67 | 686.74 |
| Less: | | |
| Closing Stock | | |
| Finished Goods | 610.62 | 1,749.56 |
| Work-in-Progress | <u>258.50</u> | <u>584.11</u> |
| | 869.12 | 2,333.67 |
| | <u>1,464.55</u> | <u>(1,646.93)</u> |
| Note 21 | | |
| EMPLOYEE BENEFITS | | |
| Salaries , Wages and Bonus | 592.97 | 536.22 |
| Contribution to Provident and Other Funds | 98.64 | 80.70 |
| Staff and Labour Welfare Expenses | <u>41.76</u> | <u>37.64</u> |
| | <u>733.37</u> | <u>654.56</u> |
| Note 22 | | |
| FINANCE COSTS | | |
| Interest Expenses | 1,989.86 | 1,482.31 |
| Other Borrowing Costs | <u>6.60</u> | <u>6.58</u> |
| | <u>1,996.46</u> | <u>1,488.89</u> |
| Note 23 | | |
| OTHER EXPENSES | | |
| Manufacturing Expenses | | |
| Power and Fuel | 1,542.51 | 1,826.67 |
| Packing Materials | 150.93 | 150.19 |
| Repairs to Buildings | 27.09 | 27.63 |
| Repairs to Plant and Machinery | 180.45 | 159.39 |
| Repairs - General | 142.39 | 136.71 |
| Jobwork Charges Paid | <u>7.66</u> | <u>23.83</u> |
| | 2,051.03 | 2,324.42 |

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

| Particulars | (Rs. in Lakhs) | |
|---------------------------------|---------------------|---------------------|
| | As at 31-03-2012 | As at 31-03-2011 |
| ESTABLISHMENT EXPENSES | | |
| Managing Director Remuneration | 27.88 | 105.36 |
| Rates and Taxes | 10.46 | 11.88 |
| Insurance | 17.42 | 14.96 |
| Postage and Telephone | 3.95 | 6.84 |
| Printing and Stationery | 3.91 | 4.70 |
| Travelling Expenses | 23.23 | 29.80 |
| Vehicle Maintenance | 10.97 | 7.84 |
| Directors Sitting Fees | 1.05 | 1.25 |
| Rent | - | 0.66 |
| Audit and Legal Expenses | 9.90 | 10.27 |
| Corporate Social Responsibility | 0.36 | 0.74 |
| Miscellaneous Expenses | 48.26 | 140.82 |
| | 156.76 | 335.12 |
| SELLING EXPENSES | | |
| Sales Commission | 121.15 | 142.81 |
| Export Expenses | 13.97 | 23.93 |
| Other Selling Expenses | 53.95 | 38.06 |
| | 189.07 | 204.80 |
| | 2,397.49 | 2,864.34 |

NOTE 24

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the generally accepted accounting principles, the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act 1956, as adopted consistently by the Company. The Company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

2. Principles of Consolidation

The Consolidated Financial Statements relate to DECCAN RENEWABLE WIND ELECTRICS LIMITED., the Wholly Owned Subsidiary.

The Consolidated Financial Statements have been prepared on the following basis:

The Financial Statements of the Subsidiary has been combined on a line by line basis by adding together the book values of the like items of assets, liabilities, after fully eliminating intra-group transactions.

The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions or other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's separate financial statements.

3. Other Significant Accounting Policies

These are set out in the notes to accounts under "Significant Accounting Policies" of the financial statements of Sandhya Spinning Mill Ltd.

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

Note 25

OTHER DISCLOSURES

1. Contingent Liabilities

| | (Rs. in Lakhs) |
|---|-----------------------|
| (i) Liability on Letter of Credit opened | NIL |
| Capital Goods | NIL |
| Others | NIL |
| (ii) Estimated amount of contracts remaining to be executed on capital account not provided | NIL |
| (iii) Liability on guarantees given by the bankers | 11.40 |
| (iv) Liability on guarantees given to the bankers | NIL |
| (v) Disputed VAT Liability | 21.24 |

2. Income tax assessments have been completed up to the accounting year ended on 31-03-2009 i.e., Assessment year 2009-10.

3. Sales Tax Assessment upto year ended 31st March, 2004 has been completed.

4. Details of Loans from Directors under "Unsecured Loans" are:

| Name | Closing Balance as on 31-03-2012 | Interest-2011-12 | Closing Balance as on 31-03-2011 | Interest 2010-11 |
|------------------------|-------------------------------------|------------------|-------------------------------------|------------------|
| Smt. P.V. Nirmala Raju | 4.32 | 0.59 | 5.58 | 0.63 |
| Smt. SriSandhya Raju | 81.08 | 8.51 | 24.45 | 2.14 |

5. Contribution to Gratuity Fund includes an amount of Rs.4.44 lakhs recognized in the current period related to past service liability as at the Balance Sheet in accordance with Accounting Standard -15 (Revised).

6. Auditors' remuneration (including Service Tax) & expenses:

| | 2011-12 | 2010-11 |
|----------------------------|---------|---------|
| <u>Statutory Auditors:</u> | | |
| a. As Auditors | 0.73 | 0.60 |
| b. In other Capacities | | |
| (i) For Tax Audit / Tax | 0.48 | 0.84 |
| Representation | | |
| (ii) Certification Work | 0.25 | 0.68 |
| (iv) Expenses reimbursed | - | 0.24 |
| | 1.46 | 2.36 |

7. As at 31-03-2012, the company has no outstanding dues to micro, small and medium enterprises/small-scale industrial undertaking. This information as 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.

8. The unadjusted units generated from the windmills as on 31-03-2012 is 10,217 units and its monetary value of Rs.28,097/- has been included in Loans and Advances.

9. As per Accounting Standard -15 (Revised 2005) "Employee Benefits", the disclosures of employee benefits as defined in the Accounting Standard are given below:

Defined Contribution Plan:

| | (Rs. in Lakhs) | |
|--|-----------------------|---------|
| | 2011-12 | 2010-11 |
| Employer's Contribution to Provident Fund | 18.11 | 14.47 |
| Employer's Contribution to Superannuation Fund | 2.39 | 1.89 |

CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS

(Rs. in Lakhs)

Details of the post retirement gratuity plan (Funded) are as follows:

| | 2011-12 | 2010-11 |
|---|----------|----------|
| Reconciliation of opening and closing balances of defined benefit plan: | | |
| Defined Benefit Obligation as on 01-04-2011 | 59.47 | 46.72 |
| Current Service Cost | 8.51 | 6.70 |
| Past Service Cost | - | 1.97 |
| Interest Cost | 4.62 | 3.67 |
| Actuarial (gain) / loss | 11.72 | 2.01 |
| Benefits paid | (-) 3.36 | (-) 1.60 |
| Defined Benefit obligation as on 31-03-2012 | 80.96 | 59.47 |
| Reconciliation of opening and closing balances of fair value of plan assets: | | |
| Fair value of plan assets as on 01-04-2011 | 38.53 | 26.80 |
| Expected return on plan assets | 4.13 | 2.52 |
| Actuarial gain / (loss) | (-) 0.12 | (-) 0.18 |
| Employer Contribution | 29.66 | 10.99 |
| Benefits paid | (-) 3.36 | (-) 1.60 |
| Fair value of plan assets as on 31-03-2012 | 68.84 | 38.53 |
| Actual Return of plan assets: | | |
| Expected return of plan assets | 4.13 | 2.52 |
| Actuarial gain / (loss) on plan assets | (-) 0.12 | (-) 0.18 |
| Actual return on plan assets | 4.01 | 2.34 |
| Reconciliation of fair value of assets and obligations: | | |
| Fair value of plan assets | 68.84 | 38.53 |
| Present value of obligation | 80.96 | 59.47 |
| Difference | 12.12 | 20.94 |
| Unrecognized transitional liability | - | - |
| Unrecognized past service cost non vested benefits | - | - |
| Amount recognized in Balance Sheet | 12.12 | 20.94 |
| Expense recognized during the year: | | |
| Current Service Cost | 8.51 | 6.70 |
| Interest Cost | 4.62 | 3.67 |
| Expected return on plan assets | (-) 4.13 | (-) 2.52 |
| Actuarial (gain) / loss | 11.84 | 2.19 |
| Transitional liability recognized in the year | - | - |
| Past service cost-non-vested benefits | - | - |
| Past service cost-vested benefits | - | 1.97 |
| Net Cost | 20.84 | 12.01 |
| Investment Details: | | |
| GOI Securities | - | - |
| State Government Securities | - | - |
| High Quality Corporate Bonds | - | - |
| Funds with LIC | 100% | 100% |
| Bank balance | - | - |
| Others | - | - |
| Total | 100% | 100% |

CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS

| | (Rs. in Lakhs) | |
|---|----------------|----------|
| | 2011-12 | 2010-11 |
| Actuarial assumptions: | | |
| LIC 1994-96 Ultimate Table applied for Service Mortality rate | Yes | Yes |
| Discount rate p.a. | 8.80% | 8.00% |
| Expected rate of return on plan assets p.a. | 8.00% | 8.00% |
| Rate of escalation in salary p.a. | 6.00% | 6.00% |
| Details of the Leave encashment plan (Un-Funded) are as follows: | | |
| Reconciliation of opening and closing balances of defined benefit plan: | | |
| Defined Benefit Obligation as on 01-04-2011 | 12.28 | 12.09 |
| Current Service Cost | 3.64 | 1.92 |
| Interest Cost | 0.90 | 0.97 |
| Actuarial (gain) / loss | 6.43 | (-) 2.70 |
| Benefits paid | (-) 1.94 | - |
| Defined Benefit obligation as on 31-03-2012 | 21.31 | 12.28 |
| Reconciliation of opening and closing balances of fair value of plan assets: | | |
| Fair value of plan assets as on 01-04-2011 | - | - |
| Expected return on plan assets | - | - |
| Actuarial gain / (loss) | - | - |
| Employer Contribution | 1.94 | - |
| Benefits paid | (-) 1.94 | - |
| Fair value of plan assets as on 31-03-2012 | - | - |
| Actual Return of plan assets: | | |
| Expected return of plan assets | - | - |
| Actuarial gain / (loss) on plan assets | - | - |
| Actual return on plan assets | - | - |
| Fair value of plan assets | - | - |
| Reconciliation of fair value as assets and obligations : | | |
| Present value of obligation | 21.31 | 12.28 |
| Difference | 21.31 | 12.28 |
| Unrecognized transitional liability | - | - |
| Unrecognized past service cost non vested benefits | - | - |
| Amount recognized in Balance Sheet | 21.31 | 12.28 |
| Expense recognized during the year: | | |
| Current Service Cost | 3.64 | 1.92 |
| Interest Cost | 0.90 | 0.97 |
| Expected return on plan assets | - | - |
| Actuarial (gain) / loss | 6.43 | (-) 2.70 |
| Transitional liability recognized in the year | - | - |
| Past service cost-non-vested benefits | - | - |
| Past service cost-vested benefits | - | - |
| Net Cost | 10.97 | 0.19 |

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

| | (Rs. in Lakhs) | |
|---|--------------------|-----------|
| | 2011-12 | 2010-11 |
| Investment Details as on 31-03-2012: | | |
| GOI Securities | - | - |
| State Government Securities | - | - |
| High Quality Corporate Bonds | - | - |
| Funds with LIC | - | - |
| Bank balance | - | - |
| Others | - | - |
| Total | - | - |
| Actuarial assumptions | | |
| LIC 1994-96 Ultimate Table applied for Service Mortality rate | Yes | Yes |
| Discount rate p.a. | 8.80% | 8.00% |
| Expected rate of return on plan assets p.a. | NA | NA |
| Rate of escalation in salary p.a. | 6.00% | 6.00% |
| 10. Earning per Share | | |
| Net Loss / Profit after tax (A) | (-) 1450.83 | 936.50 |
| No. of Shares (B) | 16,81,400 | 16,81,400 |
| Basic & Diluted earnings per share for Rs.10/- each (A)/(B) | (-) 86.25 | 56.00 |
| 11. RELATED PARTY TRANSACTIONS | | |
| As per Accounting Standard-18 (Related Party Disclosures) issued by the Institute of Chartered Accountants of India, the Company's related parties are given below: | | |
| <u>Key Management Personnel & Relatives.</u> | | |
| Shri. P.R. Ramasubrahmaneya Rajha, Chairman | | |
| Smt. SriSandhya Raju, Managing Director | | |
| Smt. R. Sudarsanam, Director | | |
| Shri. P.R. Venketrama Raja, Director | | |
| Smt. P.V. Nirmala Raju, Director | | |
| The Company's transactions with the above persons are furnished in Item No. 4 of Note No. 25 above. | | |
| Enterprises over which the above persons exercise significant influences and with which the Company had transactions during the year: | | |
| M/s Madras Cements Limited | | |
| M/s Rajapalayam Mills Limited | | |
| M/s Sri Vishnu Shankar Mill Limited | | |
| M/s The Ramaraju Surgical Cotton Mills Limited | | |
| M/s Thanjavur Spinning Mill Limited | | |
| M/s Ramco Industries Limited | | |
| M/s Ramco Systems Limited | | |

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

The Company's transactions with the above Related Parties are summarized below:

(Rs. in Lakhs)

| Particulars | 2011-12 | 2010-11 |
|-------------|---------|---------|
|-------------|---------|---------|

(a) Inter Corporate Deposits Accepted:

| Name of the Related Party | Maximum Outstanding 2011-12 | Interest 2011-12 | Outstanding as on 31-03-2012 ICD | Outstanding as on 31-03-2012 INTEREST |
|---------------------------|-----------------------------|------------------|----------------------------------|---------------------------------------|
| Rajapalayam Mills Ltd | 786 | 75.04 | 186 | NIL |

(b) Inter Corporate Deposits Accepted:

| Name of the Related Party | Maximum Outstanding 2010-11 | Interest 201-11 | Outstanding as on 31-03-2011 ICD | Outstanding as on 31-03-2011 INTEREST |
|---------------------------|-----------------------------|-----------------|----------------------------------|---------------------------------------|
| Rajapalayam Mills Ltd | 1,800 | 85.75 | 786 | NIL |

(c) Inter Corporate Deposits Given:

| Name of the Related Party | Maximum Outstanding 2010-11 | Interest 2010-11 | Outstanding as on 31-03-2011 ICD | Outstanding as on 31-03-2011 INTEREST |
|------------------------------|-----------------------------|------------------|----------------------------------|---------------------------------------|
| Thanjavur Spinning Mill Ltd. | 400 | 5.09 | NIL | NIL |

(d) Good Supplied / Services rendered:

| Name of the Related Party | Value | Outstanding as on 31-03-2012 | Value | Outstanding as on 31-03-2011 |
|--|-------|------------------------------|--------|------------------------------|
| The Ramaraju Surgical Cotton Mills Ltd | 12.27 | NIL | 106.61 | NIL |
| Sri Vishnu Shankar Mill Ltd | 2.15 | NIL | 47.64 | NIL |
| Rajapalayam Mills Ltd., | 0.30 | NIL | 76.64 | NIL |
| Ramco Industries Ltd | 86.74 | NIL | 120.14 | NIL |
| Thanjavur Spinning Mill Ltd | 17.59 | NIL | 0.49 | NIL |
| Madras cements Ltd., | 20.34 | NIL | - | NIL |
| Rajapalayam Spinners Ltd., | 0.04 | NIL | - | NIL |

(e) Cost of Goods & Services purchased / availed:

| Name of the Related Party | Value | Outstanding as on 31-03-2012 | Value | Outstanding as on 31-03-2011 |
|--|--------|------------------------------|--------|------------------------------|
| The Ramaraju Surgical Cotton Mills Ltd | 6.87 | NIL | 197.19 | NIL |
| Sri Vishnu Shankar Mill Ltd | 40.14 | NIL | 17.76 | NIL |
| Rajapalayam Mills Ltd | 59.17 | NIL | 96.05 | NIL |
| Madras Cements Ltd | 60.96 | NIL | 101.90 | NIL |
| Ramco Industries Ltd | 73.89 | NIL | 226.27 | NIL |
| Ramco System Ltd | 5.47 | NIL | 5.29 | NIL |
| Shri Harini Textile Ltd., | 0.07 | NIL | - | NIL |
| Thanjavur Spinning Mill Ltd | 199.75 | NIL | 52.18 | NIL |

(f) Amount paid by virtue of joint ownership of shares of APGPCL:

| Name of the Related Party | Value | Outstanding as on 31-03-2012 | Value | Outstanding as on 31-03-2011 |
|---------------------------|-------|------------------------------|-------|------------------------------|
| Madras Cements Ltd | 2.90 | NIL | 3.82 | NIL |

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

(g) Purchase of Wind Electric Generators with Capacity of 800 KVA: (Rs, in Lakhs)

| Name of the Related Party | Value | | Outstanding as on | |
|---------------------------|---------|----------|-------------------|---------|
| | 2011-12 | 2010-11 | 2011-12 | 2010-11 |
| Madras Cements Ltd. | - | 3,040.97 | NIL | NIL |

12. The Segment Information for the year ended 31st March, 2012 detailed as below: (Rs. in Lakhs)

| Particulars | Textiles | | Windmill Power | | Total | |
|--------------------------------------|------------|-----------|----------------|----------|------------|-----------|
| | 2011-12 | 2010-11 | 2011-12 | 2010-11 | 2011-12 | 2010-11 |
| REVENUE | | | | | | |
| External Sales (Net) | 12,156.56 | 12,808.49 | - | - | 12,156.56 | 12,808.49 |
| Inter Segment Sale | | | 748.54 | 446.02 | 748.54 | 446.92 |
| Total Sales | 12,156.56 | 12,808.49 | 748.54 | 446.02 | 12,904.69 | 13,254.51 |
| Other Income | 9.94 | 36.03 | - | - | 9.94 | 36.03 |
| Total Revenue | 12,166.10 | 12,844.52 | 748.54 | 446.02 | 12,914.64 | 13,290.54 |
| RESULT | | | | | | |
| Segment Result | (2,224.27) | 1,993.30 | 24.44 | 7.20 | (2,199.83) | 2000.50 |
| Unallocated Income | | | | | (29.23) | - |
| Unallocated Expenses | | | | | | |
| Operating Profit | | | | | (2,229.06) | 2000.50 |
| Interest Expenses | | | | | - | - |
| Interest Income | | | | | 29.23 | - |
| Provision for Taxation | | | | | | |
| Current Tax | | | | | - | 407.-00 |
| Deferred Tax | | | | | (749.00) | 657.00 |
| Profit from ordinary activities | | | | | (1,450.83) | |
| Exceptional Items | | | | | - | - |
| Net Profit | | | | | (1,450.83) | 936.50 |
| OTHER INFORMATION | | | | | | |
| Segment Assets | 17,466.12 | 26,682.57 | 4,232.51 | 7.20 | 21,698.63 | 26,689.77 |
| Unallocated Assets | | | | | (5.00) | (5) |
| Total Assets | | | | | 21,693.63 | 26,684.77 |
| Segment Liabilities | 7,759.19 | 10,705.95 | 2,959.52 | 3,485.27 | 10,918.71 | 14,191.22 |
| Unallocated Liabilities | | | | | 10,308.88 | 11,152.69 |
| Total Liabilities | | | | | 21,227.59 | 25,343.91 |
| Capital Expenditure | 331.65 | 798.15 | - | 2,968.51 | 331.65 | 3,766.76 |
| Unallocated Capital Expenditure | | | | | - | - |
| Depreciation | 854.58 | 816.54 | 278.23 | 182.59 | 1,132.81 | 999.13 |
| Unallocated Depreciation Expenditure | | | | | - | - |
| Non-Cash expenses | | | | | | |

**CONSOLIDATED FINANCIAL STATEMENTS OF SANDHYA SPINNING MILL LTD., AND ITS SUBSIDIARY
NOTES FORMING PART OF FINANCIAL STATEMENTS**

13. Other additional information pursuant to the revised Schedule VI of the Companies Act, 1956.

| (a) Value of Imports calculated on CIF Value | | (Rs. in Lakhs) | | |
|--|---------------------|-----------------------|---------------------|----------|
| | 2011-12 | 2010-11 | | |
| Raw Materials | 408.75 | 645.92 | | |
| Components and Spares | 58.93 | 29.03 | | |
| Capital Goods | 210.26 | 180.52 | | |
| (b) Expenditure in Foreign Exchange during the year | | | | |
| | 2011-12 | 2010-11 | | |
| Total Value | 629.27 | 845.69 | | |
| (c) Value of Raw Materials, Stores & Spare parts consumed | | | | |
| | 2011-12 | | 2010-11 | |
| | Rs. in Lakhs | % | Rs. in Lakhs | % |
| Raw Materials | 145.69 | 2 | 991.08 | 14 |
| Imported | 7,244.09 | 98 | 5,973.74 | 86 |
| Indigenous | | | | |
| Spares and Components | | | | |
| Imported | 38.43 | 10 | 40.92 | 11 |
| Indigenous | 328.64 | 90 | 319.57 | 89 |
| (d) Earnings in Foreign exchange (FOB Value) | | | | |
| | 2011-12 | 2010-11 | | |
| Export on Yarn | 884.04 | 2,422.98 | | |

14. The financial statement for the year ended 31st March, 2011 has been prepared as per the then applicable, pre-revised Schedule VI of the Companies Act, 1956. Consequent to the notification under the Companies Act, 1956, the financial statement for the year ended 31st March, 2012 are prepared under the revised Schedule VI. Accordingly, the previous year's figures have also been reclassified to confirm to the current year's classification.

15. Figures have been rounded off to Lakhs with two decimals.

(Signature to Schedules 1 to 25)

(As per our report annexed)
For N.A. JAYARAMAN & CO.,
Chartered Accountants
FRN-001310S

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

SMT. SRISANDHYA RAJU
Managing Director

SMT R. SUDARSANAM
N.K. SHRIKANTAN RAJA
K.T. KRISHNAN
S. KANTHIMATHINATHAN
Directors

R. PALANIAPPAN
Proprietor
Membership No.205112

Rajapalayam,
28th May, 2012.



Mymosoapselengi saplings being planted by Mr. Rampinini & Mr. Daniel, M/s. Albini, Italy during their visit to our Mill.



SANDHYA SPINNING MILL LTD
RAJAPALAIYAM