



**ANNUAL REPORT**  
**2011-2012**

**K G DENIM LIMITED**



## K G DENIM LIMITED

### BOARD OF DIRECTORS

**Executive Chairman** Shri KG Baal Krishnan

**Managing Directors** Shri B Sriramulu  
Shri B Srihari

**Directors** Shri G V S Desikan  
Shri G P Muniappan  
Shri K N V Ramani  
Shri V Jagadisan  
Smt T Anandhi  
Shri M J Vijayaraaghavan  
Shri Surinder Chhibber  
Shri A Velusamy  
Shri S Muthuswamy  
Director & Company Secretary

### Registered Office

Then Thirumalai  
Jadayampalayam, Coimbatore - 641 302  
Phone : (04254) 304300 / 235300  
Website : www.kgdenim.com  
E-mail : cskgdl@kgdenim.in

### Registrar and Share Transfer Agent

Cameo Corporate Services Ltd  
"Subramanian Building"  
No.1, Club House Road  
Chennai - 600 002  
Phone : (044) 28460390 (6 lines)

**Auditors** M/s Gopalaiyer and Subramanian  
Chartered Accountants  
Coimbatore

**Bankers** Indian Bank  
Bank of India  
Allahabad Bank  
State Bank of India  
State Bank of Hyderabad  
Indian Overseas Bank

CONTENTS	Page
Directors' Report	2
Auditors' Report	11
Balance Sheet	14
Statement of Profit & Loss	15
Cash Flow Statement	16
Notes	17
Consolidated Financial Statements	33
Notice	I to III

# K G DENIM LIMITED

## DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

We have pleasure in presenting the Twentieth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2012.

### FINANCIAL RESULTS

(Rs. in lakhs)

PARTICULARS	For the year ended 31 <sup>st</sup> March 2012	For the year ended 31 <sup>st</sup> March 2011
Gross Profit	4735	3887
Less : Finance Cost	2323	1918
Profit prior to Depreciation and write off	2412	1969
Less : Depreciation	1308	1293
Net Profit	1104	676
Current, Deferred & earlier year tax	367	226
Net Profit for the year	737	450
Balance Brought forward	152	-298
Arrears of Preferential Dividend & Tax thereon	232	-
Proposed Dividend & Tax thereon	224	-
Balance Carried Forward	433	152

### PERFORMANCE OF THE COMPANY

During the year ended 31.03.2012, the Company achieved an overall production of 229 lakh meters of fabrics against the previous year's production of 241 lakh meters. The revenue for the year was Rs.40007 lakhs as against sales of Rs.34359 lakhs during the previous year, representing an increase of 16 %. The company has three main product groups, Denim and Apparel Fabrics, Home Textiles and sales of Apparel. All the product groups are showing double digit growth levels and have contributed to the profitability of the company.

The Company has been able to improve its profitability on account of higher sales realization. The operating margins were maintained inspite of lower production and increasing power costs.

Our investments in the home textiles category have started paying off as we see large sales to well established retail houses abroad.

The recent depreciation of the rupee has helped our garment sales in export markets.

The Board of Directors recommends a dividend of 7.50 % (i.e. Rs.0.75) per equity share of the company for the year 2011-12. The Board further recommends payment of arrears of cumulative preference dividend to erstwhile preference shareholders at the rate of 10 % for the years 2005 to 2007 amounting to Rs.200 lakhs. The Dividend tax payable amounts to Rs.63 lakhs.

### INDUSTRY STRUCTURE & DEVELOPMENT

The Indian denim industry continues to enjoy a high growth potential. The domestic as well as international demand is expected to grow.

The demand for the denim fabrics is increasing in the domestic market; our sales to both premier international brands operating in India and also to large exporters of readymade garments have increased. The recent financial crisis in Europe has affected our sales in that region. Our sales effort in the South American market has started to yield results, to balance the negative sentiment in Europe. We are seeing sales increase in North America as fashion has favoured our products.

### OPPORTUNITIES AND THREATS

The Company is expecting higher volumes in denim sale. The Company will continue its focus on home textiles sales and is expected to do well in this segment in the next year. Apparel exports is expected to be maintained at current levels.

The Company is subjected to the risks of volatility in the prices of raw material. Denim sales is highly dependant on fashion. The previous year saw cotton prices reaching a peak of 200 cent/lb and then coming down to 100 cent/lb.

The higher interest rates and the volatility in exchange rates are serious concerns facing the Company. The Company is taking steps to mitigate the effects of cost increases by suitable product mix changes and also by actively managing the exchange risk.

# K G DENIM LIMITED

## FINANCE

Your Directors acknowledge with gratitude, the valuable assistance and support extended by our Bankers for term loans and working capital i.e., Indian Bank, Bank of India, Allahabad Bank, State Bank of India, State Bank of Hyderabad and Indian Overseas Bank.

## PERSONNEL

The Directors wish to place on record their appreciation for the co-operation extended by all sections of the employees.

## DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- a) In the preparation of the annual accounts, the applicable accounting standards had been followed.
- b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent 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 Profit or Loss of the Company for that period.
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities.
- d) The annual accounts have been prepared on a going concern basis.

## CONSOLIDATED ACCOUNTS

In accordance with the requirements of Accounting Standard (AS-21) prescribed by The Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its subsidiaries are annexed to this Report.

## SUBSIDIARIES

During the year, the gross turnover in Trigger Apparels Limited increased to Rs.31.19 crores from Rs.30.48 crores for the previous year. The subsidiary has been able to register a profit of Rs.10.59 lakhs compared to loss of Rs.68.42 lakhs in the previous year. No activity has taken place at KG Denim (USA) Inc. during the year.

## CEO/CFO CERTIFICATION

The Managing Directors and Director & Company Secretary of the Company have submitted a Certificate to the Board as required under Clause 49 of the Listing Agreement for the year ended 31<sup>st</sup> March, 2012.

## CORPORATE GOVERNANCE

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, forms part of the Annual Report.

## LISTING

The Company's shares are listed in the Bombay Stock Exchange Limited, Mumbai.

## CAPITAL EXPENDITURE

The Company incurred a Capital Expenditure of Rs.644.27 lakhs during the year.

## DIRECTORS

Shri V Jagadisan, Shri Surinder Chhibber and Smt T Anandhi retire by rotation and being eligible offer themselves for reappointment at the ensuing Annual General Meeting.

Shri S Muthuswamy, Director and Company Secretary (Whole-time), term of office came to an end on 29.05.2012. The Board has subject to approval of shareholders in the forthcoming Annual General Meeting, re-appointed him as Director and Company Secretary (Whole-time) of the Company for a term of five years effective from 30.05.2012 to 29.05.2017.

## AUDITORS

The present Auditors M/s Gopalaier and Subramanian retire at the ensuing Annual General Meeting and are eligible for re-appointment. Cost Audit Report for the financial year ending 31<sup>st</sup> March 2012 will be submitted to the Central Government in accordance with Cost Audit Report Rules, 2011.

# K G DENIM LIMITED

## INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

The Company has put in place adequate internal control system and is implementing the same to ensure reliability of financial and other data and their accuracy. Company is also strengthening its review control system by appointing External Consultants as Auditors.

The Audit Committee also closely reviews with the internal and external auditors on the adequacy of internal control systems.

The Company has also initiated steps to obtain ISO 27001 : 2005 (Information Security Management System-ISMS) to control and manage our data in secured manner.

The Company further has an Integrated Management System (IMS) which consisting of ISO 9001:2008 is concerned with establishing quality management system to achieve target set by top management and continual improvement based on the customer requirements.

ISO 14001:2004 is primarily focused on environmental management system which guide us to manufacture the products without affecting the environment in the working area and surrounding of our organization.

OHSAS 18001 : 2007 (Occupational Health and Safety Management Assessment Standard) which is an Integrated Management System focusing on an organization's occupational health and safety management system. This standard guide us to identify and control the conditions and factors that affect the well-being of employees, contractors, visitors and any other person in the work place.

## CAUTIONARY STATEMENT

The statement in this Directors' Report & Management Discussion and Analysis contain forward looking statements regarding Company's projections & expectations and the actual results could differ materially from those expressed on account of various factors like raw material prices, change in demand, government regulation etc., and the readers are cautioned against placing undue reliance on the same.

## STATUTORY INFORMATION

During the year there were no employees in receipt of remuneration covered by Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended vide GSR 289 (E) dated March 31, 2011 [Companies (Particulars of Employees) Amendments Rules, 2011].

Information pursuant to sub-section 1 (e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure to this Report.

As per Section 212 of the Companies Act, 1956, the Company is required to attach the Directors' Report, Balance Sheet, and Statement of Profit and Loss of subsidiaries. The Central Government has granted general exemption from complying with Section 212 of the Companies Act, 1956 to all companies vide Notification No.5/12/2007-CL-III dated February 8, 2011. Accordingly, your Company has presented in this Report, the consolidated financial statements of the holding company and all its subsidiaries, duly audited by the Statutory Auditors. The Company has also disclosed in the Consolidated Balance Sheet the information required to be provided as per the aforesaid Notification dated February 8, 2011. The Company will make available the audited annual accounts and related information of its subsidiaries, upon request by any of its shareholders. The annual accounts of the subsidiary companies will also be kept for inspection by any member at the Registered Offices of the Company and its subsidiary companies. Our humble prayers to Sri Venkateswaraswamy Vari of Then Thirumalai for the continued prosperity of the Company.

Coimbatore  
07.06.2012

On behalf of the Board  
KG Baalakrishnan  
Executive Chairman

## ANNEXURE TO DIRECTORS' REPORT

Conservation of energy, technology absorption and foreign exchange earnings and outgo required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31<sup>st</sup> March, 2012.

### CONSERVATION OF ENERGY :

a) Energy conservation measures taken :

The Company has set up a steam-driven co-generation power unit with use of biomass fuel. Other measures are :

- i) Installed a caustic recovery plant with heat exchanger for energy saving.
  - ii) Installed a new singeing machine to reduce the gas consumption.
  - iii) Replacement of copper choke fittings to electronic chokes on 300 tube light fittings resulting 6 watts saving/fitting.
  - iv) Instead of 3 Nos (500 CFM each) reciprocating compressors installed screw compressor of 1600 CFM to reduce power consumption.
  - v) Installed energy monitoring systems for effective utilisation of electrical energy.
- b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy: Energy audit has been done and various proposals are under implementation.
- c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : During the year the fuel input costs had gone up. Hence there is a marginal increase in costs.
- d) Total energy consumption and energy consumption per unit of production:

# K G DENIM LIMITED

## FORM - A

### A. POWER AND FUEL CONSUMPTION

	31.03.2012	31.03.2011
<b>I Electricity</b>		
(a) Purchased		
Units in lakhs	52.00	48.00
Value in lakhs (Rs.) **	273.00	245.00
Cost/Unit (Rs.)	5.25	5.10
**Excludes fixed demand charges		
(b) Own Generation		
(i) Through Diesel Generator		
Units in lakhs	19.00	14.00
Units / Ltr.	3.00	3.10
Cost/Unit (Rs.)	13.66	10.07
(ii) Through steam turbine/generator		
Units in lakhs	189.65	187.00
Units/Ton of fuel mix	400.00	410.00
Cost/Unit (Rs.)	6.91	6.07
<b>II Coal</b>		
Quantity (Tonnes)	22739	21716
Total Cost (Rs. in lakhs)	1262.00	1116.21
Average Rate (Rs.)	5551.00	5140.00
<b>III Saw Dust etc.,</b>		
Quantity (Tonnes)	37469	35124
Total Cost (Rs. in lakhs)	1044.00	745.00
Average Rate (Rs.)	2786.00	2121.00
<b>B. CONSUMPTION / UNIT OF PRODUCTION</b>		
Electricity Unit/ Mtr. of Fabric	1.37	1.25

## FORM - B

### C. TECHNOLOGY ABSORPTION

#### I. Research and Development (R & D) :

1. Specific areas where R&D is carried out by the Company.  
The R&D efforts of the Company are directed towards quality control improvement of existing methods and product developments/ diversifications.
2. Benefits derived as a result of the above R&D :  
Cost reduction and improved quality and new product development enhanced performance in Export and Domestic Market.
3. Future plan and action :  
The R&D efforts will continue to meet the present and future needs of the end-users.
4. Expenditure on R & D :

	Rs.Lakhs
a) Capital	-
b) Recurring	18.00
c) Total	18.00
d) R & D Expenditure as % of Total Turnover	0.05

- II. Technology absorption, adaptation and innovation :  
Continuous efforts are made towards technology innovation.

### D. FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Efforts : The Company will continue to push up its volume of exports and maintain its price realization.
- b) Total Foreign exchange used and earned :

Foreign Exchange : Used	Rs. 2974 Lakhs
Earned	Rs. 14769 Lakhs

Coimbatore  
07.06.2012

On behalf of the Board  
KG Baal Krishnan  
Executive Chairman

# K G DENIM LIMITED

## CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY

Your Company is committed to building long term shareholders' value with full emphasis on Corporate Governance - Your company communicates corporate, financial and product information on line on its website - www.kgdenim.com. Your Company believes that all its operations and actions must serve the goal of enhancing overall shareholder value, over a sustained period of time. Company's philosophy envisages transparency, accountability and equitable benefits of highest level in its maximum possible operating fields, interaction with all its related stake holders including esteemed Shareholders, Workmen, Officers, Governments, Banks and other lenders.

### 2. BOARD OF DIRECTORS

The current financial year of the company covers a period of 12 months from 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2012. The present strength of the Board is 12 Directors, out of which 6 are independent directors.

5 (Five) Board Meetings were held during the year, as against the minimum requirement of 4 meetings. The dates on which the meetings held were as follows: 27<sup>th</sup> May 2011, 12<sup>th</sup> August 2011, 14<sup>th</sup> November 2011, 06<sup>th</sup> February 2012 and 28<sup>th</sup> March 2012. The Annual General Meeting was held on 12<sup>th</sup> August 2011. The table below gives the particulars of attendance of each Director at the Board Meetings held during the financial year and during their respective tenure of Directorship and at the last AGM, as also the number of Directorships in other Companies and membership in other Board Committees.

Name of the Director	No. of Board Meetings held during the tenure of Directorship	No. of Board Meetings attended	Attendance of Last AGM	No. of Directorship in other Companies	No. of Membership in Board Committees of other Companies as	
					Chairman	Member
Shri KG Baalakrishnan	5	4	Not Present	8	-	-
Shri B Sriramulu	5	5	Present	12	-	2
Shri B Srihari	5	5	Present	10	-	1
Shri G V S Desikan	5	5	Present	7	-	2
Shri V Jagadisan	5	4	Present	2	-	5
Shri K N V Ramani	5	5	Present	7	5	2
Shri G P Muniappan	5	4	Present	2	1	-
Smt T Anandhi	5	5	Present	2	-	-
Shri M J Vijayaraaghavan	5	4	Present	2	3	2
Shri Surinder Chhibber	5	2	Present	1	-	-
Shri A Velusamy	5	5	Present	8	-	4
Shri S Muthuswamy	5	5	Present	-	-	-

Shri B Sriramulu and Shri B Srihari are sons of, and Smt T Anandhi, daughter of Shri KG Baalakrishnan. None of the other directors is related to any other.

#### Profile of Directors retiring by rotation and eligible for reappointment

Shri V Jagadisan, B. Com., FCA., aged 79 is the Senior Partner of M/s V Jagadisan & Co., Chennai one of the leading CA firms in South India. He was elected as Central Council Member of the Institute of Chartered Accountants of India, New Delhi for 3 terms (1976 to 1985) and is a Director on the Board of two other companies.

Shri Surinder Chhibber, aged 61 years is a post graduate in industrial engineering and operations research and has over 34 years of work experience in various capacities in foreign and Indian companies dealing in textiles and apparels.

Smt T Anandhi, aged 47 years, has basic textile education and has over 17 years experience in textile fields such as cotton, spinning and garments.

#### Code of Conduct

In pursuance of Clause 49 of the listing agreement, the Board has approved the Code of Conduct for Board of Directors and Senior Management and the same has been circulated and posted on the Company's website. The Board of Directors and the Senior Management staff have given their declarations confirming compliance of the provisions of the above code of conduct.

# K G DENIM LIMITED

## 3. COMMITTEES OF THE BOARD

### a. Audit Committee

The terms of reference of the Audit Committee include the matters specified in Clause 49 of the Listing Agreement with the Stock Exchange and in Section 292A of the Companies Act, 1956 as follows:-

- ✦ Oversight of the Company's financial reporting process and the disclosure of its financial information.
- ✦ Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- ✦ Reviewing with management the quarterly, half-yearly and annual financial statements before submission to the Board, focussing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgment by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) related party transactions i.e., transactions of the Company of material nature, with promoters or with the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.
- ✦ Reviewing with the management, external and internal auditors, the adequacy and compliance of internal control systems.
- ✦ Reviewing the adequacy of internal audit functions.
- ✦ Discussion with internal auditors any significant findings and follow up thereon.
- ✦ Reviewing the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- ✦ Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- ✦ Reviewing the Company's financial and risk management policies.

During the year, the Committee has met four times, as against the minimum requirement of 3 meetings and the Audit Committee meetings were held on 27.05.2011, 12.08.2011, 14.11.2011 and 06.02.2012.

Composition of the Audit Committee as on 31<sup>st</sup> March, 2012 and the attendance during the year are as under:

Name of the Director	Position	Category	No. of Meetings held	No. of Meetings Attended
Shri V Jagadisan	Chairman	Independent, Non - Executive	4	4
Shri G V S Desikan	Member	Independent, Non - Executive	4	4
Shri K N V Ramani	Member	Independent, Non - Executive	4	4

All the members of the Audit Committee are financially literate with knowledge in finance and accounts.

The head of finance function, head of internal audit and the representative of the Statutory Auditors were invited to be present at the Audit Committee meetings.

The Cost Auditors appointed by the Company under Section 233B of the Companies Act, 1956 were also invited to attend the Audit Committee Meetings.

The Director and Company Secretary acts as the Secretary to the Committee.

### b. Remuneration Committee

The Board of the Company has constituted a Remuneration Committee, comprising of 3 Independent, Non-Executive Directors viz., Shri K N V Ramani, Chairman, Shri G V S Desikan and Shri V Jagadisan as members.

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Executive Chairman/ Managing Directors/Whole-Time Directors.

The detail of remuneration to Directors for the year is furnished in paragraph 7.



# K G DENIM LIMITED

## c. Shareholders'/Investors' Grievance Committee

The Board of the Company has constituted a Shareholders'/Investors' Grievance Committee, comprising of Shri G P Muniappan, Chairman with Shri G V S Desikan and Shri K N V Ramani as members. The Committee also looks into redressal of Shareholders' complaints like transfer of shares, non-receipt of balance sheet, etc.

The Committee oversees the performance of the Registrar and Transfer Agents and recommend measures for overall improvement in the quality of investor services.

During the year, the Shareholders'/Investors' Grievance Committee meetings were held on 20.05.2011, 09.08.2011, 10.11.2011 and 03.02.2012.

Shri R K Sridhar, Asst. General Manager is the Compliance Officer for complying with the requirements of the Securities and Exchange Board of India and requirements of the Listing Agreement with the Stock Exchange.

The total number of complaints received and replied to the satisfaction of Shareholders during the year under review, was 8. Outstanding complaints as on 31<sup>st</sup> March 2012 were 'Nil'.

## 4. GENERAL MEETINGS

Location and date/time of the last three Annual General Meetings.

19 <sup>th</sup> AGM	12 <sup>th</sup> August 2011	9.30 a.m.	Registered Office premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302
18 <sup>th</sup> AGM	13 <sup>th</sup> August 2010	9.15 a.m.	- do -
17 <sup>th</sup> AGM	29 <sup>th</sup> September 2009	10.30 a.m.	- do -

No postal ballots were required to be used for voting at these meetings.

## 5. DISCLOSURES

There are no materially significant related party transactions that would have potential conflict with the interest of the Company at large. Details of related party transactions are given elsewhere in the Annual Report. The Register of Contracts containing the transactions in which the Directors are interested is placed before the Board regularly.

No penalty or strictures have been imposed on the Company by any regulatory authority for non-compliance of any laws.

The Company has complied with the Accounting Standards prescribed by the Institute of Chartered Accountants of India and as referred u/s 211 (3C) of the Companies Act, 1956.

## 6. MEANS OF COMMUNICATION

The Quarterly and Half yearly results are published in local dailies such as "Dinamani" and "The Financial Express" and on the company's website.

The Management Discussion and Analysis Report forms part of this Annual Report.

## 7. REMUNERATION TO DIRECTORS

For the financial year ended 31<sup>st</sup> March 2012, the remuneration paid to the Directors is as indicated below:-

Name of the Director & Designation	Salary Amount (Rs.)	Perquisites and other benefits (Rs.)	Total (Rs.)
Shri B Sriramulu, Managing Director	24,00,000	-	24,00,000
Shri B Srihari, Managing Director	24,00,000	-	24,00,000
Shri A Velusamy, Director	10,17,500	82,500	11,00,000
Shri S Muthuswamy, Director & Company Secretary	10,17,500	82,500	11,00,000

The details of sitting fees paid to Non-Executive Directors for attending the Board or Committee Meetings during the financial year ended 31<sup>st</sup> March 2012 were as follows :-

Name of the Directors	Sitting Fee (Rs.)	No. of Shares held
Shri G V S Desikan	105000	200
Shri V Jagadisan	100000	Nil
Shri K N V Ramani	105000	10000
Shri G P Muniappan	20000	Nil
Shri M J Vijayaraaghavan	20000	Nil

# K G DENIM LIMITED

## 8. GENERAL SHAREHOLDER INFORMATION

1. 20 <sup>TH</sup> AGM to be held on :	28.09.2012
at :	9.30 a.m.
venue :	Registered Office Premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302
2. Financial Calendar-Board Meetings (Tentative)	First Quarter - Last week of July 2012 Second Quarter - Second week of November 2012 Third Quarter - Second week of February 2013 Results for the year ending 31 <sup>st</sup> March 2013 last week of May 2013
3. Date of Book Closure	18.09.2012 to 28.09.2012 (Both days inclusive)
4. Listing of Equity Shares	Listed in Bombay Stock Exchange. The Company has paid the listing fees for the year 2012 - 2013 .
5. Registrar and Share Transfer Agents	In accordance with SEBI's Circular dated 4th January 2003 directing that the work related to share registry, in physical & electronic modes, be maintained at a single point, as from 1st April 2003, both the above segments of share registry operations are now being handled by the SEBI Registered R & T Agent M/s Cameo Corporate Services Limited, at 'Subramanian Building', No.1 Club House Road, Chennai 600 002
6. Stock Code	Bombay Stock Exchange Limited - 500239
7. Demat ISIN No. for NSDL & CDSL	INE104A01012
8. Share Transfer System	The Company's shares are traded in the stock exchange compulsorily in demat mode. Both the physical and demat modes of share transfers are being handled by company's Share Transfer Agent M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1 Club House Road, Chennai 600 002  The share transfer committee, which is a Board Committee, approves the transfer of shares.
9. Dematerialisation of Shares	92.19% of the total equity shares (23650041 Shares) were held in the dematerialised form as on 31 <sup>st</sup> March 2012. Trading in equity shares of the company is permitted only in dematerialised form w.e.f 26.06.2000, as per the notification of SEBI.
10. i. Details of Public Funding obtained in the last three years.	No capital from public was raised during the last three years.
ii. Outstanding GDRS/ADRS/Warrants or any convertible instrument	None
11. Plant Location	K G DENIM LIMITED, Then Thirumalai, Jadayampalayam, Coimbatore 641 302
12. Address for communication	K G DENIM LIMITED, Then Thirumalai, Jadayampalayam, Coimbatore 641 302
13. Website	www.kgdenim.com

## 9. DISTRIBUTION OF SHAREHOLDING AS ON 31<sup>ST</sup> MARCH 2012

Category	No. of Shareholders	%	No. of Shares	%
Upto 5,000	13977	86.00	2548742	9.95
5,001 - 10,000	1202	7.40	1036688	4.04
10,001 - 20,000	493	3.03	795066	3.10
20,001 - 30,000	176	1.08	462364	1.80
30,001 - 40,000	65	0.40	239517	0.93
40,001 - 50,000	93	0.57	449902	1.75
50,001 - 1,00,000	117	0.72	906031	3.53
1,00,001 and above	130	0.80	1921595	74.90
<b>Total</b>	<b>16253</b>	<b>100.00</b>	<b>25653905</b>	<b>100.00</b>

# K G DENIM LIMITED

## 10. CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2012

Sl.No.	Category	No.of Shares held	%
1	Shareholding of Promoter and Promoter Group	14655303	57.13
2	Public Shareholding		
A	Institutions		
(a)	Mutual Funds / UTI / Financial Institutions / Banks	1161207	4.53
(b)	Foreign Institutional Investors	173027	0.67
	<b>Sub Total (A)</b>	<b>1334234</b>	<b>5.20</b>
B	Non-Institutions		
(a)	Bodies Corporate & Trusts	1484321	5.78
(b)	Individuals	8180047	31.89
	<b>Sub Total (B)</b>	<b>9664368</b>	<b>37.67</b>
	<b>Grand Total</b>	<b>25653905</b>	<b>100.00</b>

## 11. SHARE PRICE DATA

Market price data of the company's equity shares in Bombay Stock Exchange for the period from April 2011 to March 2012 is as below:

Month	BSE Price	
	High	Low
April 2011	18.20	11.25
May 2011	16.65	11.50
June 2011	14.50	10.07
July 2011	12.75	10.55
August 2011	12.44	9.21
September 2011	11.38	9.25
October 2011	10.36	9.00
November 2011	10.97	8.52
December 2011	11.00	8.75
January 2012	13.36	9.35
February 2012	13.20	10.00
March 2012	10.94	8.31

## 12. COMPLIANCE WITH NON MANDATORY REQUIREMENT

- As the Company communicates corporate, financial and product information online on the web site [www.kgdenim.com](http://www.kgdenim.com) individual communication of half yearly results is not sent to the shareholders.
- The Company has not passed any resolution requiring approval of the shareholders by postal ballot.

### COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To the Members/Board of Directors of M/s K G DENIM LIMITED, COIMBATORE

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by M/s K G Denim Limited for the year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the Guidance Note on certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and on the basis of our examination described above, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **GOPALAIYER AND SUBRAMANIAN**  
Chartered Accountants  
**CA. R MAHADEVAN**  
Partner  
Membership No.27497  
Firm Regn. No.0009605

Coimbatore  
07.06.2012

# K G DENIM LIMITED

## AUDITORS' REPORT TO THE MEMBERS OF K G DENIM LIMITED

- 1 We have audited the attached Balance Sheet of K G DENIM LIMITED as on 31st March 2012 and also the Statement of Profit & Loss for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. 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 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's Report) (Amendment) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further to our comments in the Annexure referred to above, we report that;
  - (a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit & 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.
  - (e) On the basis of written representations received from the directors as on 31<sup>st</sup> March 2012 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31<sup>st</sup> March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- 5 In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2012;
  - (b) In the case of Statement of Profit & Loss, the PROFIT for the year ended on that date; and
  - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For GOPALAIYER AND SUBRAMANIAN  
Chartered Accountants

CA. R MAHADEVAN  
Partner

Membership No.27497  
Firm Regn. No.0009605

Coimbatore  
07.06.2012

# K G DENIM LIMITED

## ANNEXURE REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE

### I. IN RESPECT OF ITS FIXED ASSETS

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year discrepancies noticed on such physical verification were not material and have been properly dealt with in books of accounts.
- (c) There were no disposal of substantial part of fixed assets during the year and hence the going concern status of the Company is not affected.

### II. IN RESPECT OF ITS INVENTORIES

- (a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventories. As explained to us there were no material discrepancies noticed on physical verification of inventories as compared to book records.

### III. IN RESPECT OF LOANS, SECURED OR UNSECURED, GRANTED OR TAKEN BY THE COMPANY

The Company has neither taken any loans secured or unsecured, nor has granted any loans secured or unsecured to parties covered in the Register maintained under Section 301 of the Companies Act, 1956 and hence sub-clauses (a) to (g) of Clause (iii) are not applicable.

- IV. In our opinion and according to the explanations and information given to us, there is adequate internal control system commensurate with the size of the Company and the nature of business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit no major weakness has been noticed in the internal control system.

### V. IN RESPECT OF TRANSACTIONS COVERED UNDER SECTION 301 OF THE COMPANIES ACT, 1956

- (a) In our opinion and according to the information and explanations given to us the transactions made in pursuance of contracts or arrangements, that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956 have been so entered in the register maintained for the purpose.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the Register maintained under Section 301 of the Act and exceeding the value of Rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

- VI. During the year the Company has not accepted any deposits from the public and hence the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies [Acceptances of Deposit Rules, 1975] and other relevant provisions of the Companies Act, 1956 are not applicable.

- VII. In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.

- VIII. We have broadly reviewed the books of accounts maintained by the Company pursuant to the Order 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 same.

# K G DENIM LIMITED

## IX. IN RESPECT OF STATUTORY DUES:-

(a) According to the information and explanations given to us and records examined by us, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2012 for a period of more than six months from the date they became payable.

(b) The following amounts have not been deposited on account of dispute.

Name of Statute	Nature of Dues	Amount under dispute not yet deposited as on 31.3.2012 (Rs.lakhs)	Forum Where dispute is pending
The Central Excise Act	Excise duty	24.90	Commissioner of Central Excise Appeals, Salem and Asst. Commissioner, Mettupalayam
The Central Excise Act	Excise duty	616.92	CESTAT, Chennai. Out of this, demand of Rs.335.75 lakhs was stayed by CESTAT, Chennai.

- X. The Company does not have any accumulated losses as at 31<sup>st</sup> March 2012. The Company has not incurred any cash loss during the financial year covered by our audit and the immediately preceding financial year.
- XI. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debentureholders.
- XII. During the year, the Company has not granted loans and advances on the basis of the security by way of pledge of shares, debentures and other securities.
- XIII. In our opinion the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause (xiii) of the Companies (Auditors Report) (Amendment) Order 2004 is not applicable to the Company.
- XIV. In our opinion and according to the information and explanations given to us, proper records have been maintained by the Company in respect of dealing in securities and other investments and timely entries have been made therein in respect of transactions and contracts. The securities and other investments have been held by the Company in its own name. The Company has not undertaken any trading in shares and debentures.
- XV. According to the information and explanations given to us and the representation made by the management, the Company has given guarantee for loans taken by its subsidiary, Trigger Apparels Limited from Bank for Rs.651 lakhs and its associate, KG Fabriks Limited from bank for Rs.300.00 lakhs. However, the terms and conditions of the guarantee are not prima facie prejudicial to the interest of the Company.
- XVI. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- XVII. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short term basis that 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 Companies Act, 1956.
- XIX. The Company has not raised any debentures during the financial year and hence creation of security in respect of debentures does not arise.
- XX. The Company has not raised any money through a public issue during the year.
- XXI. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For **GOPALAIYER AND SUBRAMANIAN**  
Chartered Accountants

**CA. R MAHADEVAN**  
Partner

Membership No.27497  
Firm Regn. No.0009605

Coimbatore  
07.06.2012

# K G DENIM LIMITED

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2012

PARTICULARS	NOTE NO.	AS AT 31.03.2012	AS AT 31.03.2011
(Rs.in lakhs)			
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 SHAREHOLDERS' FUNDS</b>			
(a) Share Capital	1	2566.51	2566.51
(b) Reserves and Surplus	2	2432.86	2151.85
(c) Money received against share warrants		-	-
<b>2 SHARE APPLICATION MONEY PENDING ALLOTMENT</b>			
<b>3 NON-CURRENT LIABILITIES</b>			
(a) Long-term Borrowings	3	4436.73	4180.51
(b) Deferred Tax Liabilities (Net)	4	1298.65	1063.16
(c) Other Long-term Liabilities	5	611.90	400.00
(d) Long-term Provisions	6	188.61	160.95
<b>4 CURRENT LIABILITIES</b>			
(a) Short-term Borrowings	7	4576.89	5151.00
(b) Trade Payables		8254.75	7776.33
(c) Other Current Liabilities	8	1759.69	1622.31
(d) Short-term Provisions	9	495.29	63.06
<b>TOTAL</b>		<b>26621.88</b>	<b>25135.68</b>
<b>II. ASSETS</b>			
<b>1 NON-CURRENT ASSETS</b>			
(a) Fixed Assets	10		
(i) Tangible Assets		9345.37	10025.51
(ii) Capital Work-in-Progress		663.81	103.43
(b) Non-Current Investments	11	573.31	531.63
(c) Long-term Loans and Advances	12	396.25	254.20
<b>2 CURRENT ASSETS</b>			
(a) Inventories	13	10182.44	8187.62
(b) Trade Receivables	14	2374.94	2696.31
(c) Cash and Cash Equivalents	15	665.26	624.14
(d) Short-term Loans and Advances	16	1512.58	1860.83
(e) Other Current Assets	17	907.92	852.01
<b>TOTAL</b>		<b>26621.88</b>	<b>25135.68</b>

The notes form an integral part of these financial statements

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**  
Chartered Accountants

**CA. R MAHADEVAN**  
Partner

Coimbatore  
7th June, 2012

Membership No.27497  
Firm Regn. No.0009605

**KG BAALAKRISHNAN**  
Executive Chairman

**S MUTHUSWAMY**  
Director & Company Secretary

**B SRIRAMULU**  
Managing Director

**B SRIHARI**  
Managing Director

# K G DENIM LIMITED

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2012

PARTICULARS	NOTE NO.	31.03.2012	31.03.2011
		(Rs.in lakhs)	
I. Revenue from operations	18	40007.44	34359.39
II. Other Income	19	316.89	404.22
III. Total Revenue (I+II)		40324.33	34763.61
IV. Expenses:			
Cost of materials consumed	20	24237.94	21099.45
Purchases of Stock-in-Trade	21	5.37	-
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	22	(1011.19)	(305.65)
Other Manufacturing Expenses	23	8301.30	6405.66
Employee Benefits Expenses	24	1891.17	1708.70
Finance Costs	25	2322.71	1917.42
Depreciation and Amortization Expense		1308.35	1293.14
Other Expenses	26	2164.24	1968.87
Total Expenses		39219.89	34087.59
V. Profit before exceptional and extraordinary items and tax (III-IV)		1104.44	676.02
VI. Exceptional Items		-	-
VII. Profit before extraordinary items and tax (V-VI)		1104.44	676.02
VIII. Extraordinary Items:		-	-
IX. Profit before tax (VII-VIII)		1104.44	676.02
X. Tax Expense :			
(1) Current Tax		225.40	138.90
(2) MAT Credit Entitlement		(93.51)	(135.05)
(3) Deferred Tax		235.48	222.36
		367.37	226.21
XI. Profit for the period from continuing operations (IX-X)		737.07	449.81
XII. Profit from discontinuing operations		-	-
XIII. Tax expense of discontinuing operations		-	-
XIV. Profit from discontinuing operations (after tax) (XII-XIII)		-	-
XV. Profit for the period (XI + XIV)		737.07	449.81
XVI. Earnings per equity share			
(1) Basic		2.87	1.75
(2) Diluted		2.87	1.75
Weighted Number of Equity Shares		25653905	25653905

The notes form an integral part of these financial statements

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**  
Chartered Accountants

**CA. R MAHADEVAN**  
Partner

Coimbatore  
7th June, 2012

Membership No.27497  
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**KG BAALAKRISHNAN**  
Executive Chairman

**S MUTHUSWAMY**  
Director & Company Secretary

**B SRIRAMULU**  
Managing Director

**B SRIHARI**  
Managing Director



# K G DENIM LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2012

PARTICULARS	31.03.2012	31.03.2011
	(Rs.in lakhs)	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before tax and extraordinary items	1104.44	676.02
Adjustments for:		
Depreciation	1308.35	1293.14
Profit/Loss on sale of assets	0.50	93.19
Dividend Received	-0.32	-0.29
Interest Charges	2322.71	1917.42
<b>Operating Profit before working capital changes</b>	<b>4735.68</b>	<b>3979.48</b>
Adjustments for:		
Trade and other receivables	321.37	432.79
Inventories	-1994.82	-1838.24
Loans & Advances	348.25	-755.59
Other Current Assets	-197.96	-293.30
Trade and other payables	1287.59	1170.54
<b>Cash generated from operations</b>	<b>4500.11</b>	<b>2695.68</b>
<b>Cash flow before extraordinary items</b>	<b>4500.11</b>	<b>2695.68</b>
Extraordinary items	-131.89	-3.84
<b>Net cash from operating activities</b>	<b>4368.22</b>	<b>2691.84</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Withdrawn / Sale of fixed assets	15.55	63.74
Acquisitions of fixed assets	-1204.63	-355.62
Dividend received	0.32	0.29
Investments	-41.68	0.05
<b>Net cash used in investing activities</b>	<b>-1230.44</b>	<b>-291.54</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Provision for Equity Dividend	-192.40	-
Distribution Tax on Equity Dividend	-31.21	-
Provision for arrear of Preference Dividend	-200.00	-
Distribution Tax on Preference Dividend	-32.45	-
Long Term Borrowings from Banks	256.22	-1417.76
Short Term Borrowings from Banks	-574.11	920.27
Interest paid	-2322.71	-1917.42
<b>Net cash used in financing activities</b>	<b>-3096.66</b>	<b>-2414.91</b>
<b>Net Increase in cash and cash equivalents</b>	<b>41.12</b>	<b>-14.61</b>
Cash and cash equivalents as at 1st April, 2011 (Opening Balance)	624.14	638.75
Cash and cash equivalents as at 31st March, 2012 (Closing Balance)	665.26	624.14

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**  
Chartered Accountants

**CA. R MAHADEVAN**  
Partner

Coimbatore  
7th June, 2012

Membership No.27497  
Firm Regn. No.0009605

**KG BAALAKRISHNAN**  
Executive Chairman

**S MUTHUSWAMY**  
Director & Company Secretary

**B SRIRAMULU**  
Managing Director

**B SRIHARI**  
Managing Director

# K G DENIM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
<b>Note 1 - Share Capital</b> <span style="float: right;">(Rs.in lakhs)</span>		
<u>Authorised</u>		
31000000 Equity Shares of Rs.10 each	3100.00	3100.00
1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each	1000.00	1000.00
<u>Issued</u>		
25691305 Equity Shares of Rs.10 each	2569.13	2569.13
<u>Subscribed &amp; Paid up</u>		
25653905 Equity Shares of Rs.10 each, fully paid	2565.39	2565.39
<u>Forfeited Shares</u>		
(Amount originally paid up)	1.12	1.12
	<u>2566.51</u>	<u>2566.51</u>

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Particulars	31.03.2012	31.03.2011
Shares outstanding at the beginning of the year 25653905 Number	2565.39	2565.39
Shares outstanding at the end of the year 25653905 Number	2565.39	2565.39

Shares in the company held by each shareholder holding more than 5 percent shares

Name of the Shareholder	31.03.2012		31.03.2011	
	No.of Shares held	% of Holding	No.of Shares held	% of Holding
Sri Kannapiran Mills Limited	3065183	11.95	3065183	11.95
Shri KG Baalakrishnan	2578560	10.05	2578560	10.05
Shri B Srihari	2231859	8.70	2231859	8.70
Shri B Sriramulu	2208659	8.61	2208659	8.61
Smt B Sathyabama	1886500	7.35	1886500	7.35

### Terms and Conditions of Equity Shares :

The Company has only one class of Equity Shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share.

In the event of liquidation the Equity Shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts in proportion of their shareholding.

There are no shares allotted as fully paid without payments being received in cash, bonus shares or shares bought back.

### Note 2 - Reserves and Surplus

<b>a. Securities Premium Reserves</b>		
Opening Balance	444.44	444.44
Add : Addition / Deletions	-	-
Closing Balance	<u>444.44</u>	<u>444.44</u>
<b>b. Other Reserves</b>		
<b>General Reserve</b>		
Opening Balance	1555.71	1555.71
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance	<u>1555.71</u>	<u>1555.71</u>
<b>c. Surplus</b>		
Opening Balance	151.70	(298.11)
(+) Net Profit/(Net Loss) for the current year	737.07	449.81
(+) Transfer from Reserves	-	-
(-) Proposed Equity Dividend	192.40	-
(-) Tax on Proposed Equity Dividend	31.21	-
(-) Arrears of Preference Dividend *	200.00	-
(-) Tax on Preference Dividend	32.45	-
(-) Transfer to Reserves	-	-
Closing Balance	<u>432.71</u>	<u>151.70</u>
<b>Total</b>	<u>2432.86</u>	<u>2151.85</u>

Dividend proposed to be distributed to Equity Shareholders is Rs.0.75 (Previous Year - Nil) per Equity Share.

\* Arrears of Preference Dividend (10%) for the period from 01.04.2005 to 31.03.2007 to be distributed to ertswihle Preference Shareholders on value of Rs.10 Crores.

# K G DENIM LIMITED

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
	(Rs. in lakhs)	
<b>Note 3 - Long-Term Borrowings</b>		
<b>Secured</b>		
<b>(a) Term Loans</b>		
Indian Rupee Loan From Banks (Secured)	4420.27	4150.14
<b>(b) Long term maturities of finance lease obligations (Secured by Vehicles on Hire Purchase Loan)</b>	<b>16.46</b>	<b>30.37</b>
There is no case of continuing default as on the Balance Sheet date in repayment of loans and interest		
<b>Total</b>	<b>4436.73</b>	<b>4180.51</b>

## Security Clause

### Bank borrowings of Term Loan and Working Capital Limits

Term loans from Indian Bank (IB), Bank of India (BOI) and Indian Overseas Bank (IOB) are secured by first pari passu charge on (a) all immovable properties situated in (i) 102.1897 acres of land at Jadayampalayam, Alangombu and Karamadai villages in Mettupalayam Taluk, Coimbatore District, Tamil Nadu and (ii) 2155.62 sq. meters of land at Amdha Village, Dharampur Taluk, Valsad District, Gujarat through equitable mortgage created with Indian Bank and (b) all plant and machineries including machineries and other movable fixed assets (excluding vehicles charged to financiers) acquired for the Expansion cum Diversification Scheme (ECDS) and New Capex Plan through Deed of Hypothecation.

Term loan from State Bank of Hyderabad and Term loan I from State Bank of India are secured by a first pari passu charge on (a) immovable properties in 48.5872 acres of land at Jadayampalayam, Alangombu and Karamadai Village in Mettupalayam Taluk, Coimbatore District, Tamilnadu and (b) all plant and machineries and other movable assets (excluding vehicles charged to financiers) acquired for the Expansion cum Diversification Scheme (ECDS) through Deed of Hypothecation.

Term loan II from State Bank of India is secured by a first pari passu charge on all plant and machineries acquired for the Modernisation cum Expansion Scheme (MCES) through Deed of Hypothecation.

Indian Bank is holding the original title deeds on its own behalf and on behalf of other Banks. Term loans are also guaranteed by Shri KG Baalakrishnan, Executive Chairman.

Indian Bank has two Term loans outstanding - Term loan I for Rs.751.22 lakhs & Term loan II for Rs.224.27 lakhs (Previous year Rs.1032.89 lakhs & Rs.299.71 lakhs). Term loan I is repayable in 32 quarterly installments commencing from 05.04.2007. Last Installment is due on 05.01.2015. Rate of Interest 14.00 % p.a. as at year end. (Previous year 12.25 % p.a.). Term Loan II is repayable in 90 monthly installments commencing from 15.10.2007. Last Installment is due on 15.03.2015. Rate of Interest 14.75 % p.a. as at year end. (Previous year 13.25 % p.a.).

Bank of India has two Term loans outstanding : Term loan I for Rs.685.45 lakhs & Term loan II for Rs.195.72 lakhs (Previous year Rs.957.10 lakhs & Rs.281.81 lakhs). Term loan I is repayable in 32 quarterly installments commencing from 07.04.2007. Last Installment is due on 07.01.2015. Rate of Interest 14.75% p.a. as at year end. (Previous year 13.25% p.a.). Term loan II is repayable in 87 monthly installments commencing from 15.10.2007. Last Installment is due on 15.12.2014. Rate of Interest 14.75% p.a. as at year end. (Previous year 13.75% p.a.).

State Bank of India has two Term loans outstanding: Term loan I for Rs.539.79 lakhs & Term loan II for Rs.524.63 lakhs (Previous year Rs.793.24 lakhs & Nil). Term loan I is repayable in 31 quarterly installments commencing from 08.09.2007. Last Installment is due on 08.03.2015. Rate of Interest 14.5% p.a. as at year end.(Previous year 12.25% p.a.).Term loan II is repayable in 60 monthly installments commencing from 01.04.2013. Last Installment is due on 01.03.2018. Rate of Interest 14.5% p.a. as at year end.(Previous year Nil).

State Bank of Hyderabad has One Term loan for Rs.539.59 lakhs (Previous year Rs.785.38 lakhs). Term loan is repayable in 29 quarterly installments commencing from 21.09.2007. Last Installment is due on 21.03.2015. Rate of Interest 15.5% p.a. as at year end.(Previous year 12.5% p.a.).

Indian Overseas Bank has two Term loans: Term loan I for Rs.400 lakhs (Previous year is Nil) is repayable in 20 quarterly installments commencing from 19.06.2012. Last Installment is due on 19.03.2017. Rate of Interest 14.75% p.a. as at year end.(Previous year Nil.) and Term loan II for Rs.559.60 lakhs (Previous year is Nil) is repayable in 60 monthly installments commencing from 28.04.2012. Last Installment is due on 28.03.2017. Rate of Interest 14.75% p.a. as at year end.(Previous year Nil).

# K G DENIM LIMITED

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
	(Rs.in lakhs)	
<b>Note 4 - Deferred Tax Liabilities (Net)</b>		
Value of Depreciation as per books of accounts & IT purpose (DT Liability)	1298.65	1481.11
Less: Carried forward loss (Deferred Tax Assets)	-	417.95
Net Deferred Tax Liability	<u>1298.65</u>	<u>1063.16</u>
<b>Note 5 - Other Long -Term Liabilities</b>		
(a) Trade Payables	-	-
(b) Others		
(i) Buyer's Credit for Capital Goods	211.90	-
(ii) Inter Corporate Deposits	400.00	400.00
Total	<u>611.90</u>	<u>400.00</u>
<b>Note 6 - Long-Term Provisions</b>		
(a) Provision for employee benefits Gratuity (unfunded)	188.61	160.95
(b) Others	-	-
Total	<u>188.61</u>	<u>160.95</u>
<b>Note 7 - Short-Term Borrowings</b>		
<b>Secured</b>		
(a) Loans repayable on demand Working Capital Loan from Banks (Secured)	4576.89	5151.00
There are no case of default in repayment of loan and interest as on date of Balance Sheet		
Total	<u>4576.89</u>	<u>5151.00</u>
Working capital facilities from Indian Bank Consortium (Indian Bank, Bank of India, Allahabad Bank and State Bank of India) are secured by a first pari passu charge on the whole of the current assets through Deed of Hypothecation and second pari passu charge on (a) all the immovable properties situated in (i) 102.1897 acres of land at Jadayampalayam, Alankombu and Karamadai Villages in Mettupalayam Taluk, Coimbatore District, Tamil Nadu and (ii) 2155.62 sq. meters of land at Amdha Village, Dharampur Taluk, Valsad District, Gujarat through equitable mortgage created with Indian Bank and (b) all plant and machineries (excluding vehicles charged to financiers) through Deed of Hypothecation. The entire working capital facilities are also guaranteed by Shri KG Baal Krishnan, Executive Chairman.		
<b>Note 8 - Other Current Liabilities</b>		
(a) Current maturities of long-term debt-Secured (See Note 3)	1353.20	1412.00
(b) Current maturities of finance lease obligations	36.85	26.92
(c) Interest accrued and due on borrowings	61.96	61.37
(d) Customer Credit Balance	69.35	51.62
(e) Security Deposits	3.30	0.30
(f) Duties and Taxes	48.69	30.41
(g) Creditors for Capital Goods	47.61	33.38
(h) Credit Balance in Scheduled Banks(Current Account)	138.73	6.31
Total	<u>1759.69</u>	<u>1622.31</u>
<b>Note 9 - Short-Term Provisions</b>		
(a) Provision for employee benefits Gratuity (unfunded)	11.04	10.01
(b) Others		
Income Tax Provision (Net of Advance Tax)	25.66	52.44
Wealth Tax Provision	2.53	0.61
Proposed Equity Dividends	192.40	-
Tax on Proposed Equity Dividend	31.21	-
Arrear of Preference Dividend	200.00	-
Tax on Preference Dividend	32.45	-
Total	<u>495.29</u>	<u>63.06</u>

# K G DENIM LIMITED

## Note 10 - Fixed Assets

(Rs. in lakhs)

Particulars	GROSS BLOCK				ACCUMULATED DEPRECIATION					NET BLOCK		
	Balance as at 1st April, 2011	Additions	Disposals	Brought into use	Balance as at 31st March, 2012	Balance as at 1st April, 2011	Depreciation charge for the year	Adjustment due to revaluations	On Disposals	Balance as at 31st March, 2012	Balance as at 31st March, 2012	Balance as at 31st March, 2011
<b>(a) Tangible Assets</b>												
Land	390.69	-	-	-	390.69	-	-	-	-	-	390.69	390.69
Buildings	2682.25	200.59	-	-	2882.84	735.91	80.72	-	-	816.63	2066.21	1946.34
Plant & Equipment	16709.29	346.73	-	-	17056.02	9797.23	1132.78	-	-	10930.01	6126.01	6912.06
Electrical Machinery	946.39	10.57	10.38	-	946.58	537.97	39.33	-	9.24	568.06	378.52	408.42
Furniture & Fixtures	105.16	27.02	-	-	132.18	54.51	6.01	-	-	60.52	71.66	50.65
Vehicles	336.46	38.09	34.60	-	339.95	145.53	27.36	-	19.68	153.21	186.74	190.93
Office Equipment	452.12	21.27	-	-	473.39	325.70	22.15	-	-	347.85	125.54	126.42
Others (specify nature)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>21622.36</b>	<b>644.27</b>	<b>44.98</b>	<b>-</b>	<b>22221.65</b>	<b>11596.85</b>	<b>1308.35</b>	<b>-</b>	<b>28.92</b>	<b>12876.28</b>	<b>9345.37</b>	<b>10025.51</b>
Previous Year	21842.86	264.67	485.17	-	21622.36	10631.96	1293.14	-	328.25	11596.85	10025.51	11210.90
<b>(b) Intangible Assets</b>												
<b>Total</b>												
<b>(c) Capital work in Progress</b>												
<b>Total</b>	103.43	739.98	-	179.60	663.81	-	-	-	-	-	663.81	103.43
Previous Year	12.47	90.96	-	-	103.43	-	-	-	-	-	103.43	12.47
<b>Grand Total</b>	<b>21725.79</b>	<b>1384.25</b>	<b>44.98</b>	<b>179.60</b>	<b>22885.46</b>	<b>11596.85</b>	<b>1308.35</b>	<b>-</b>	<b>28.92</b>	<b>12876.28</b>	<b>10009.18</b>	<b>10128.94</b>
Previous Year	21855.33	355.33	485.17	-	21725.79	10631.96	1293.14	-	328.25	11596.85	10128.94	11223.37

Note : Building includes Prayer Hall and Gold Plating thereon of Rs.132.69 lakhs in Gross Block, Rs.11.90 lakhs in Depreciation Block and Rs.120.79 lakhs in Net Block (Previous Year Rs.71.97 lakhs in Gross Block, Rs.10.17 lakhs in Depreciation Block and Rs.61.80 lakhs in Net Block) Furniture & Fittings includes Prayer Hall of Rs.13.89 lakhs in Gross Block, Rs.3.63 lakhs in Depreciation Block and Rs.10.26 lakhs in Net Block (Previous Year Rs.13.89 lakhs in Gross Block, Rs.2.75 lakhs in Depreciation Block and Rs.11.14 lakhs in Net Block)

## Note 11 - Non-Current Investments

31.03.2012

Rs. in lakhs

31.03.2011

### A Non-Trade Investments Equity (Quoted)

- i Allahabad Bank - 5265 Equity Shares of Rs.10/- each

4.32

4.32

**Total-A**

4.32

4.32

### B Equity Investments

#### I Trade Investments (Subsidiary Companies)

- i Trigger Apparels Limited-Wholly Owned Subsidiary  
20,00,000 Equity Shares of Rs.10/- each-Un quoted

200.00

200.00

- ii KG Denim (USA) Inc.-Wholly Owned Subsidiary-Un quoted

0.36

0.31

**Sub-total**

200.36

200.31

#### II Trade Investments (Associates)

- i KG Fabriks Limited  
32,70,000 Equity Shares of Rs.10/- each-Un quoted

327.00

327.00

- ii Sri Kannapiran Mills Limited  
4588 Equity Shares of Rs.10/- each-Quoted

0.46

-

**Sub-total**

327.46

327.00

#### III Trade Investments (Others)

- i Clover Energy Private Limited  
381750 Equity Shares of Rs.10/- each-Un quoted

38.17

-

- ii TVH Energy Resource Pvt. Limited  
30000 Equity Shares of Rs.10/- each-Un quoted

3.00

-

**Sub-total**

41.17

-

**Total - B (I+II+III)**

568.99

527.31

**Grand Total (A+B)**

573.31

531.63

Less : Provision for diminution in the value of investments

**Total**

573.31

531.63

Aggregate amount of quoted investments

4.78

4.32

Market value of quoted investments

10.27

12.15

Aggregate amount of unquoted investments

568.53

527.31

# K G DENIM LIMITED

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
(Rs.in lakhs)		
<b>Note 12 - Long-Term Loans and Advances</b>		
<b>a. Capital Advances</b>		
Advance for Capital Goods-Un secured considered good	341.00	207.25
Others	-	-
	<u>341.00</u>	<u>207.25</u>
<b>b. Security Deposits</b>		
Security Deposits - Un secured considered good	52.39	44.75
	<u>52.39</u>	<u>44.75</u>
<b>c. Loans and advances to related parties</b>		
Advance to Subsidiary company-KG Denim (USA) Inc. - Un secured considered good	2.86	2.20
	<u>2.86</u>	<u>2.20</u>
<b>Total</b>	<u>396.25</u>	<u>254.20</u>

## Note 13 - Inventories

<b>a. Raw Materials and Components</b>	3625.95	3039.62
Goods-in transit-Grey Fabrics	234.11	-
	<u>3860.06</u>	<u>3039.62</u>
<b>b. Work-in-progress</b>	1176.34	1172.95
Goods-in transit	-	-
	<u>1176.34</u>	<u>1172.95</u>
<b>c. Finished Goods</b>	4104.42	3223.34
Goods-in transit-Fabrics	433.81	307.09
	<u>4538.23</u>	<u>3530.43</u>
<b>d. Stock-in-trade</b>	-	-
Goods-in transit	-	-
	<u>-</u>	<u>-</u>
<b>e. Stores and Spares</b>	602.58	432.42
Goods-in transit	-	-
	<u>602.58</u>	<u>432.42</u>
<b>f. Others (Specify nature)</b>		
Stock of Waste	5.23	12.20
	<u>5.23</u>	<u>12.20</u>
<b>Total</b>	<u>10182.44</u>	<u>8187.62</u>

Mode of Valuation : Refer Note 28.2 in Significant Accounting Policies

### Details of Raw Materials and Components

Cotton	397.56	426.14
Yarn	1664.75	1741.47
Grey Fabric	824.33	581.53
Fibre	420.82	-
Chemicals	264.17	223.46
Accessories	54.32	67.02
<b>Total</b>	<u>3625.95</u>	<u>3039.62</u>

# K G DENIM LIMITED

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
(Rs.in lakhs)		
<b>Details of Work-in-process</b>		
Cotton Yarn and Processed Fabric	1079.66	1172.95
Fibre Yarn and Processed Fabric	96.68	-
<b>Total</b>	<u>1176.34</u>	<u>1172.95</u>
<b>Details of Finished Goods</b>		
Fabric	3512.03	2556.93
Garments	217.68	503.47
Madeups	311.02	132.78
Terry Towels	63.69	30.16
<b>Total</b>	<u>4104.42</u>	<u>3223.34</u>
<b>Note 14 - Trade Receivables</b>		
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	90.29	235.72
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	2284.65	2460.59
<b>Total</b>	<u>2374.94</u>	<u>2696.31</u>
<b>Note 15 - Cash and Cash Equivalents</b>		
a. Balances with banks	141.46	136.00
b. Cheques, drafts on hand	16.91	40.30
c. Cash on hand	9.15	15.37
d. Others	-	-
EEFC Deposits	0.78	0.68
Margin Money Deposits	496.96	431.79
<b>Total</b>	<u>665.26</u>	<u>624.14</u>

# K G DENIM LIMITED

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
(Rs.in lakhs)		
<b>Note 16 - Short-term loans and advances</b>		
Unsecured, considered good		
Advance Recoverable in Cash or in kind or for value to be received		
For Material Purchase	954.99	1270.59
For Expenses / Others	91.30	115.23
For Duties & Taxes	329.06	362.99
Prepaid Expenses	137.23	112.02
<b>Total</b>	<u>1512.58</u>	<u>1860.83</u>
<b>Note 17 - Other Current Assets</b>		
Export Incentives Receivable	708.22	532.70
Excise Claim Receivable	34.19	34.18
Interest Subsidy from Govt. Agencies	158.27	261.19
Interest Receivable	7.24	23.94
<b>Total</b>	<u>907.92</u>	<u>852.01</u>
(Rs.in lakhs)		
<b>Note 18 - Revenue from Operations</b>		
Sale of Products	38354.08	32347.26
Sale of Services - Job Work	1346.95	1578.46
Other Operating Revenues : Waste Cotton / Yarn / Accessories Sales	364.55	433.67
<u>Less:</u>		
Excise Duty	58.14	-
<b>Total</b>	<u>40007.44</u>	<u>34359.39</u>
<b>Details of Sale of Products</b>		
Fabrics	31933.56	28277.13
Garments	2995.54	2532.56
Home Textiles	3177.29	1365.29
Terry Towel	247.69	172.28
<b>Total</b>	<u>38354.08</u>	<u>32347.26</u>
<b>Note 19 - Other Income</b>		
Interest Income	48.75	42.29
Interest Subsidy received	232.04	284.04
Dividend Income	0.32	0.29
Insurance Claim Received	8.60	6.30
Exchange Gain on Export Sales	21.55	43.82
Other non-operating income (net of expenses directly attributable to such income)	5.63	27.48
<b>Total</b>	<u>316.89</u>	<u>404.22</u>



# K G DENIM LIMITED

PARTICULARS	31.03.2012	31.03.2011
<b>Note 20 - Cost of Materials Consumed</b>		(Rs.in lakhs)
Opening Stock	3039.62	1946.49
Purchases	<u>25058.38</u>	<u>22192.58</u>
<b>Sub-total</b>	<b>28098.00</b>	<b>24139.07</b>
Less : Closing Stock	<u>3860.06</u>	<u>3039.62</u>
<b>Raw Materials Consumed</b>	<b><u>24237.94</u></b>	<b><u>21099.45</u></b>
<b>Imported and Indigenous Raw Materials consumed</b>		
Imported	1909.44	1152.22
Indigenous	<u>22328.50</u>	<u>19947.23</u>
<b>Total</b>	<b><u>24237.94</u></b>	<b><u>21099.45</u></b>
<b>Details of Raw Material Consumed</b>		
Cotton	4178.62	4303.09
Yarn	11657.57	9465.88
Fibre	504.13	-
Fabrics	4277.92	4042.81
Chemicals	3021.20	2803.32
Accessories	<u>598.50</u>	<u>484.35</u>
<b>Total</b>	<b><u>24237.94</u></b>	<b><u>21099.45</u></b>
<b>Note 21 - Purchases of Stock-in-Trade</b>		
Garments Purchase	<u>5.37</u>	-
<b>Total</b>	<b><u>5.37</u></b>	-
<b>Note 22 - Changes in Inventories of Finished Goods Work-in-Progress and Stock-in-Trade</b>		
<b>Opening Stock :</b>		
Work-in-Process	1172.95	1128.13
Finished Goods	3530.43	3269.60
Traded Items	-	-
	<u>4703.38</u>	<u>4397.73</u>
<b>Closing Stock :</b>		
Work-in-Process	1176.34	1172.95
Finished Goods	4538.23	3530.43
Traded Items	-	-
	<u>5714.57</u>	<u>4703.38</u>
<b>Total</b>	<b><u>(1011.19)</u></b>	<b><u>(305.65)</u></b>
<b>Note 23 - Other Manufacturing Expenses</b>		
(a) Power & Fuel	3422.64	2731.81
(b) Consumptions of Stores & Spare Parts	458.92	308.33
(c) Processing Charges	3280.26	2298.11
(d) Repairs & Maintenance		
For Plant & Machinery	659.80	728.35
For Buildings	128.32	67.05
For Others	<u>351.36</u>	<u>272.01</u>
<b>Total</b>	<b><u>8301.30</u></b>	<b><u>6405.66</u></b>
<b>Imported and Indigenous Stores &amp; Spare Parts Consumed</b>		
Imported	173.48	124.31
Indigenous	<u>285.44</u>	<u>184.02</u>
<b>Total</b>	<b><u>458.92</u></b>	<b><u>308.33</u></b>

# K G DENIM LIMITED

PARTICULARS	31.03.2012	31.03.2011
	(Rs. in lakhs)	
<b>Note 24 - Employee Benefits Expenses</b>		
(a) Salaries and Wages	1589.94	1418.57
(b) Salaries-Managing Directors/Whole Time Directors	68.35	64.35
(c) Contributions to Provident Fund and Other Funds	67.75	64.05
(d) Gratuity as per Actuarial Valuation	33.22	34.54
(e) Staff Welfare Expenses	131.91	127.19
<b>Total</b>	<u>1891.17</u>	<u>1708.70</u>
<b>Note 25 - Finance Costs</b>		
Interest Expense	1987.35	1638.09
Other Borrowing Costs	331.78	275.73
Applicable Net Gain/Loss on Foreign Currency Transactions and Translation	3.58	3.60
<b>Total</b>	<u>2322.71</u>	<u>1917.42</u>
<b>Note 26 - Other Expenses</b>		
Rent	51.54	42.34
Insurance	79.89	61.09
Rates and Taxes, excluding, Taxes on Income	46.10	47.38
<b>Payments to the Auditor as</b>		
a) As Auditor	2.00	2.00
b) For Taxation Matters	1.21	0.88
c) For Other Services	1.64	1.59
Legal, Professional & Consultancy Charges	33.20	28.07
Printing and Stationery	26.27	39.64
Postage, Telegrams and Telephones	114.43	99.13
Travelling Expenses and Maintenance of Vehicles	273.20	216.02
Director Sitting Fees	3.50	3.40
Software Maintenance Expenses	39.19	38.22
Brokerage	26.46	23.35
Commission on Sales	392.17	285.60
Discount on Sales	250.23	267.85
Selling Expenses	305.35	223.65
Freight Outwards	222.87	248.98
Exchange Loss on Export Sales	25.49	21.29
Prayer Hall Repairs and Maintenance	16.86	4.06
Bad Debts Written Off	119.75	140.57
Miscellaneous Expenses	132.39	80.57
Loss on Sale of Fixed Assets	0.50	93.19
<b>Total</b>	<u>2164.24</u>	<u>1968.87</u>

# K G DENIM LIMITED

## NOTE 27

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

## NOTE 28

### SIGNIFICANT ACCOUNTING POLICIES

#### 28.1 DISCLOSURE AND BASIS OF ACCOUNTING

- a) The financial statements have been prepared under the historical cost convention which is in accordance with the generally accepted accounting principles and provisions of the Companies Act, 1956. The Company has complied with the Accounting Standards prescribed by the Institute of Chartered Accountants of India and as referred u/s 211 (3C) of the Companies Act, 1956.
- b) The Company has been consistently following the accrual basis of accounting in respect of its Income and Expenditure.
- c) The Accounts are prepared on the basis of going concern concept.
- d) The presentation of financial statements require estimates and assumptions to be made which affect the reported amount of assets and liabilities on the date of the financial statement and the reported amount of revenue and expenditure during the reporting period.

#### 28.2 VALUATION OF INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Waste stock is valued at net realizable value. The cost formula used for different inventories are as follows.

- |  |   |                                  |
|--|---|----------------------------------|
| i) Cotton                                    | - | On specific identification basis |
| ii) Grey Fabrics, Chemicals, Stores & Spares | - | At weighted average cost.        |
| iii) Yarn, Finished Goods & Process Stock    | - | At average cost.                 |

#### 28.3 CASH FLOW STATEMENT

The Cash Flow Statement is prepared under indirect method as per the Institute of Chartered Accountants of India guidelines.

#### 28.4 CONTINGENT LIABILITY

- a) 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. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.
- b) Contingent liability in respect of show cause notice received are considered only when they are converted into demand.

#### 28.5 NET PROFIT FOR THE PERIOD AND PRIOR PERIOD ITEMS

- a) All items of income and expenses pertaining to the year are included in arriving at the net profit for the period unless specifically mentioned elsewhere in the financial statement or as required by Accounting Standards.
- b) Prior period items are disclosed separately in the Statement of Profit & Loss .

# K G DENIM LIMITED

## 28.6 DEPRECIATION ACCOUNTING

Depreciation on fixed assets has been provided under straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. The Company uses both continuous process machines and general plant & machinery and other assets for which the respective applicable rates of depreciation as prescribed under Schedule XIV have been adopted.

## 28.7 RESEARCH AND DEVELOPMENT

Revenue expenditure, including overheads on Research and Development is charged out as an expense through the natural heads of account in the year in which incurred.

## 28.8 REVENUE RECOGNITION

- a) Revenue from sale transactions is recognized as and when the property in the goods sold is transferred to the buyer for a definite consideration and there is no uncertainty regarding the amount of consideration or collectability.
- b) Sales are reported at net of Sales Tax and Cess.
- c) Export sales are accounted inclusive of export benefits.
- d) Export incentives under DEPB license are accounted on accrual basis.
- e) Other incomes are also accounted on accrual basis.

## 28.9 ACCOUNTING FOR FIXED ASSETS

Fixed Assets are stated at cost of acquisition and / or construction. All costs relating to acquisition and installation of fixed assets are capitalized.

## 28.10 FOREIGN CURRENCY / CONVERSION / TRANSACTIONS

The export sales are converted at rates prevailing on the date of transaction, on the date of negotiation of export bills which approximates the actual rate prevailing on the date of the transaction and/or at forward contract rate, as the case may be. Foreign Currency liabilities are converted at the exchange rate prevailing on the last working day of the accounting year and/or on the forward Contractual rate, if so applicable. The net variation arising on account of such conversion in case of liabilities incurred for acquisition of fixed assets and other variations are charged to the statement of profit and loss. Monetary assets are converted at the exchange rate prevailing on the last day of the accounting year.

## 28.11 ACCOUNTING FOR INVESTMENTS

Long term investments are shown at cost. Permanent diminution in value, if any, will be written off in the year of diminution.

## 28.12 ACCOUNTING FOR EMPLOYEE RETIREMENT BENEFITS

- a) Contribution to Provident Fund has been made to the respective authorities.
- b) Short term employee benefits (other than termination benefits) which are payable within 12 months after the end of the period in which the employees render service are accounted on accrual basis. Company's contributions paid / payable during the year to Provident Fund and ESIC are recognized in the statement of profit and loss. All leave encashment dues for the year are settled within the same year.
- c) Gratuity liability as per the Actuarial Valuation has been provided in the accounts as at the year end.

## 28.13 BORROWING COSTS

Borrowing costs that are attributable to the acquisition of construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

# K G DENIM LIMITED

## 28.14 RELATED PARTY DISCLOSURES

The related party transactions are disclosed in the notes on accounts as per the Institute of Chartered Accountants of India guidelines.

## 28.15 EARNING PER SHARE

The Earnings considered in ascertaining the Company's earnings per share comprises of Net Profit after tax and includes post tax adjustments, prior period and extra-ordinary items.

## 28.16 ACCOUNTING FOR TAXES ON INCOME

Deferred tax arising out of timing differences between book and tax profits is accounted under liability method at current rate of tax to the extent the timing difference is to be crystallized.

## 28.17 RECOGNITION OF IMPAIRMENT OF ASSETS

The company recognises impairment losses in the year in which the assets are identified as impaired: Impairment losses are measured as the excess of carrying amount of an asset over its recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and its value in use.

## NOTE 29

### CONTINGENT LIABILITY

	2011 - 2012	2010 - 2011
	(Rs.in Lakhs)	
a) Bills discounted with banks	3315.97	2453.59
b) Arrears of dividend on 10% Cumulative Redeemable Preference Shares ( for the period 1st April 2005 to 31st March 2007)	-	200.00
c) Estimated amount of contracts remaining to be executed in capital account and not provided for	735.52	340.43
d) Disputed Excise Duties	641.82	631.05
e) Disputed Income Tax	154.00	154.00
f) Disputed Sales Tax	-	10.18
g) Guarantees given to Bank for loan to subsidiary	651.00	601.46
h) Guarantees given on behalf of Associates for fulfillment of their Export obligation under EPCG Scheme	300.00	300.00

## NOTE 30

The Company has investment of Rs.200 lakhs in the shares of M/s Trigger Apparels Limited (TAL), a wholly owned subsidiary of the company. Further the company has receivables to the extent of Rs.728.55 lakhs recoverable from TAL. The networth of TAL has eroded due to trading losses, However, considering the fact that the investment is strategic in nature and steps being taken by the company to improve the performance of TAL, no provision is considered necessary by the management for both diminution in value of shares and receivable.

# K G DENIM LIMITED

## NOTE 31 : GRATUITY

In accordance with the revised Accounting Standard AS - 15, details of actuarial provision are given below which is certified by the actuary and relied upon by the auditors though the company has provided the liability in accounts, to meets its liability from internal generation.

I.	Principal Actuarial Assumptions	31.03.2012	31.03.2011
	(Expressed as weighted averages)		
	Discount Rate	8.60 %	8.00 %
	Salary Escalation Rate	8.00 %	8.00 %
	Attrition Rate	5.00 %	5.00 %
	Expected Rate of Return on Plan Assets	0.00 %	0.00 %
II.	Changes in the present value of the obligation (PVO) -	(Rs.lakhs)	(Rs.lakhs)
	Reconciliation of Opening and Closing Balances		
	PVO as at the beginning of the period	170.96	131.43
	Interest Cost	13.42	10.34
	Current Service Cost	38.26	32.75
	Past Service Cost - (Non Vested Benefits)	0	0
	Past Service Cost - (Vested Benefits)	0	16.93
	Benefits Paid	(6.41)	(4.35)
	Actuarial Loss / (Gain) on obligation (Balancing Figure)	(16.57)	(16.15)
	PVO as at the end of the period	199.66	170.96
III.	Changes in the fair value of plan assets -	(Rs.lakhs)	(Rs.lakhs)
	Reconciliation of Opening and Closing Balances	0	0
	Fair Value of plan assets as at the beginning of the period	0	0
	Expected return on plan assets	0	0
	Contributions	6.41	4.35
	Benefits Paid	(6.41)	(4.35)
	Actuarial Gain / (Loss) on plan assets (Balancing Figure)	0	0
	Fair Value of plan assets as at the end of the period	0	0
IV.	Actual return on plan assets	(Rs.lakhs)	(Rs.lakhs)
	Expected return on plan assets	0	0
	Actuarial Gain / (Loss) on plan assets	0	0
	Actual return on plan assets	0	0
V.	Actuarial Gain / Loss recognised	(Rs.lakhs)	(Rs.lakhs)
	Actuarial Gain / (Loss) for the period - Obligation	16.57	16.15
	Actuarial Gain / (Loss) for the period - plan assets	0	0
	Total Gain / (Loss) for the period	(16.57)	(16.15)
	Actuarial Gain / (Loss) recognised in the period	(16.57)	(16.15)
	Unrecognised actuarial (Gain) / Loss at the end of the year	0	0
VI.	Amounts recognised in the balance sheet and related analyses	(Rs.lakhs)	(Rs.lakhs)
	Present Value of the obligation	199.66	170.96
	Fair Value of plan assets	0	0
	Difference	199.66	170.96
	Unrecognised transitional liability	0	0
	Unrecognised past service cost-non vested benefits	0	0
	Liability recognised in the balance sheet	199.66	170.96
VII.	Expenses recognised in the statement of profit and loss	(Rs.lakhs)	(Rs.lakhs)
	Current Service Cost	38.26	32.76
	Interest Cost	13.42	10.34
	Expected return on plan assets	0	0
	Net actuarial (Gain) / Loss recognised in the year	(16.57)	(16.15)
	Transitional Liability recognised in the year	0	0
	Past Service Cost - Non-Vested Benefits	0	0
	Past Service Cost - Vested Benefits	0	16.93
	Expenses recognised in the statement of profit and loss	35.11	43.88
VIII.	Movements in the Liability recognised in the balance sheet	(Rs.lakhs)	(Rs.lakhs)
	Opening net liability	170.96	131.43
	Expense as above	35.11	43.88
	Contribution paid	(6.41)	(4.35)
	Closing net liability	199.66	170.96

# K G DENIM LIMITED

## Annexure to Notes on Accounts :

	31.03.2012	31.03.2011
	(Rs.in lakhs)	
<b>32 Value of Imports on CIF basis</b>		
I Raw Materials	1124.21	488.27
II Chemicals	660.82	509.82
III Spares & Components	297.89	278.44
IV Capital Goods	434.04	71.76
	<u>2516.96</u>	<u>1348.29</u>
<b>33 Expenditure in Foreign Currency</b>		
Commission	341.67	259.26
Advertisement and Trade Fair	55.84	34.57
Traveling etc.,	36.02	29.32
Testing Charges	9.66	9.91
Office Rent	13.93	11.01
	<u>457.12</u>	<u>344.07</u>
<b>34 Earnings in Foreign Currency (FOB)</b>		
Export of goods on Direct Export	14769.42	10653.19

### 35.1 Accounting Standard AS - 18 on "Related Party Disclosure"

(Rs.in lakhs)

Particulars	2011-2012				2010-2011			
	Subsidiary	Associates	Key Management Personnel	Relative of Key Management Personnel	Subsidiary	Associates	Key Management Personnel	Relative of key Management Personnel
Purchase of goods	11.24	13.09	-	-	25.01	0.29	-	-
Sale of goods	759.67	43.50	-	-	639.75	46.18	-	-
Processing Charges paid	-	1444.26	-	-	-	1328.89	-	-
Service Charges paid	-	39.15	-	-	-	37.04	-	-
Processing Charges Received	211.55	-	-	-	190.51	4.62	-	-
Investments	-	0.46	-	-	-	-	-	-
Loans and advances paid	0.66	-	-	-	1.30	-	-	-
Managerial Remuneration	-	-	70.00	-	-	-	65.99	-
Share of Profit	-	-	-	-	-	-	-	-

# K G DENIM LIMITED

35.2 Balance outstanding as on 31.03.2012

(Rs.in lakhs)

Particulars	2011-12				2010-2011			
	Subsidiary	Associates	Key Management Personnel	Relative of Key Management Personnel	Subsidiary	Associates	Key Management Personnel	Relative of key Management Personnel
Debtors	728.55	15.87	-	-	662.61	12.53	-	-
Creditors	-	416.63	-	-	-	466.68	-	-
Investments	200.36	327.46	-	-	200.31	327.00	-	-
Loans and advances	2.86	-	-	-	2.20	-	-	-

36 Segment Reporting: The Company operates as single reportable segment as Textiles. Hence, no separate segment reporting arises.

37 Pursuant to the Accounting Standard (AS-29) - Provisions, Contingent Liabilities and Contingent Assets, the disclosure relating to provisions made in the accounts for the year ended 31st March 2012 is as follows:

(Rs.in lakhs)

Particulars	Provision for Income Tax		Provision for Wealt. Tax		Provision for Gratuity	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Opening Balance	52.44	14.15	0.61	0.68	170.96	131.43
Additions	225.40	138.29	2.52	0.61	35.11	43.88
Utilisation/Adv Tax						
Adjustments	252.18	100.00	-	-	6.42	4.35
Reversals	-	-	0.61	0.68	-	-
Closing Balance	25.66	52.44	2.52	0.61	199.65	170.96
Provided as Long Term Liability	-	-	-	-	188.61	160.95
Provided as Short Term Liability	-	-	-	-	11.04	10.01

38 a. Trade payables referred under Current Liability to Small Scale Industrial Units is complied on the information made available to the Company. (includes dues of Rs.67 lakhs of more than 30 days and exceeding Rs.1 lakh to the following parties; Sri Abirami Tubes Rs.10 lakhs, Nava Bharath Packaging Rs.4 lakhs, Acme Textiles Rs.13 lakhs, Asmaco Inds Rs.20 lakhs, Royal Packaging Rs.18 lakhs & Sapphire Packaging Rs.2 lakhs).

b. In the absence of necessary information with the company, relating to the registration status of suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 the information required under the said Act could not be complied and disclosed.

39 The Company has assessed the recoverable value of its assets and which is higher than the carrying value, hence provision for impairment does not arise for the period.

40 The company has opted for full excise duty exemption on its products except garments. Hence no liability for duty arises and no Cenvat benefit claimed on inputs for such goods. The opening and closing stock consequently does not bear any liability for excise duty for such goods. Excise Duty has been paid on local sale of garments bearing excise duty. No liability is there as on Balance Sheet date.

41 Previous year's figures have been regrouped wherever necessary.

42 Figures have been rounded off to the nearest Lakhs.

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**  
Chartered Accountants

**CA. R MAHADEVAN**  
Partner

Coimbatore  
7th June, 2012

Membership No.27497  
Firm Regn. No.0009605

**KG BAALAKRISHNAN**  
Executive Chairman

**S MUTHUSWAMY**  
Director & Company Secretary

**B SRIRAMULU**  
Managing Director

**B SRIHARI**  
Managing Director



# K G DENIM LIMITED

## Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Company

1	Name of Subsidiary Company	Trigger Apparels Ltd.	KG Denim (USA) Inc.
2	The Financial Year of the Subsidiary Companies ended on	31.03.2012	31.03.2012
3	Date from which they became Subsidiary Companies	07.09.2005	06.07.2005
4	a	Number of shares held by K G Denim Ltd. in the Subsidiary year of the Subsidiary	2000000 Equity Shares @ Rs.10/- each as at the end of the financial
	b	Extent of Interest of holding Company at the end of the financial year of the Subsidiary Companies	700 Nos shares of Common Stock with no par value
5		100%	100%
5	Net Aggregate amount, so far as it concerns members of K G Denim Ltd and is not dealt with in the Company's accounts, of the Subsidiary's Profit\Losses		
	a	Profit for the Subsidiary's Financial Year ended 31st March, 2012	Rs.10.59 Lakhs
	b	Loss for the previous years of the Subsidiary since it became the Subsidiary of K G Denim Ltd	Nil
		Rs.480.03 Lakhs	Nil
6	Net aggregate amount of the profits \losses of the Subsidiary, so far as those profits\losses are dealt with, or provision is made for those losses in K G Denim Ltd's account		
	a	For the Subsidiary's financial year ended on 31st March, 2012	Nil
	b	For its previous financial years since it became the Subsidiary of K G Denim Ltd	Nil
		Nil	Nil

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

## AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF K G DENIM LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF K G DENIM LIMITED AND ITS SUBSIDIARIES

- 1 We have audited the attached Consolidated Balance Sheet of K G DENIM LIMITED and its subsidiaries as on 31st March 2012 and also the Consolidated Statement of Profit & Loss for the year ended on that date annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
- 2 We conducted our audit in accordance with 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard - 21 'Consolidated Financial Statement' issued by the Institute of Chartered Accountants of India, on the basis of the individual financial statements of K G Denim Limited and its subsidiary companies included in the aforesaid consolidation.
- 4 Out of the two subsidiary companies, we have conducted the audit of Trigger Apparels Limited. As regards KG Denim (USA) Inc. the another subsidiary, which was incorporated in Delaware USA was not audited. We have been provided with Unaudited Financial affairs of the KG Denim (USA) Inc. In so far as it relates to the amounts included in respect of the said unaudited subsidiary is based solely on the financial affairs produced by the directors.
- 5 On the basis of the information and explanations given to us and on the consolidation of the separate Audit Reports on individual Audited Financial Statements of K G Denim Limited and one of its subsidiary Trigger Apparels Limited and the Unaudited Financial Statements of affairs of KG Denim (USA) Inc., we report that the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India;
  - (a) In the case of Consolidated Balance Sheet, of the state of affairs of K G Denim Limited and its subsidiaries as at 31<sup>st</sup> March 2012;
  - (b) In the case of Consolidated Statement of Profit & Loss, of the Consolidated Results of operations of K G Denim Limited and its subsidiaries for the year ended on that date; and
  - (c) In the case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows of K G Denim Limited and its subsidiaries for the year ended on that date.

For Gopalaiyer and Subramanian  
Chartered Accountants

CA. R MAHADEVAN  
Partner

Membership No.27497  
Firm Regn. No.0009605

Coimbatore  
07.06.2012

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

## CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2012

PARTICULARS	NOTE NO.	AS AT 31.03.2012	AS AT 31.03.2011
(Rs.in lakhs)			
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 SHAREHOLDERS' FUNDS</b>			
(a) Share Capital	1	2566.51	2566.51
(b) Reserves and Surplus	2	1963.42	1671.82
(c) Money received against share warrants		-	-
<b>2 SHARE APPLICATION MONEY PENDING ALLOTMENT</b>			
<b>3 NON-CURRENT LIABILITIES</b>			
(a) Long-term Borrowings	3	4436.73	4180.51
(b) Deferred Tax Liabilities (Net)	4	1123.50	883.52
(c) Other Long-term Liabilities	5	774.06	544.72
(d) Long-term Provisions	6	207.46	173.55
<b>4 CURRENT LIABILITIES</b>			
(a) Short-term Borrowings	7	5129.46	5747.67
(b) Trade Payables		9181.03	8685.45
(c) Other Current Liabilities	8	1866.89	1724.42
(d) Short-term Provisions	9	499.10	63.06
<b>TOTAL</b>		<u>27748.16</u>	<u>26241.23</u>
<b>II. ASSETS</b>			
<b>1 NON-CURRENT ASSETS</b>			
(a) Fixed Assets	10		
(i) Tangible Assets		9429.25	10115.03
(ii) Capital Work-in-Progress		663.81	103.43
(b) Non-Current Investments	11	372.95	331.32
(c) Long-term Loans and Advances	12	395.39	252.47
<b>2 CURRENT ASSETS</b>			
(a) Inventories	13	11151.03	8978.12
(b) Trade Receivables	14	2467.89	2968.24
(c) Cash and Cash Equivalents	15	693.13	663.74
(d) Short-term Loans and Advances	16	1664.89	1975.56
(e) Other Current Assets	17	909.82	853.32
<b>TOTAL</b>		<u>27748.16</u>	<u>26241.23</u>

The notes form an integral part of these consolidated financial statements

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**  
Chartered Accountants

**CA. R MAHADEVAN**  
Partner

Coimbatore  
7th June, 2012

Membership No.27497  
Firm Regn. No.0009605

**KG BAALAKRISHNAN**  
Executive Chairman

**S MUTHUSWAMY**  
Director & Company Secretary

**B SRIRAMULU**  
Managing Director

**B SRIHARI**  
Managing Director

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2012

PARTICULARS	NOTE NO.	31.03.2012	31.03.2011
		(Rs.in lakhs)	
I. Revenue from operations	18	43126.80	37407.52
II. Other Income	19	331.66	421.81
III. Total Revenue (I+II)		<u>43458.46</u>	<u>37829.33</u>
IV. Expenses:			
Cost of materials consumed	20	25341.41	22014.95
Purchases of Stock-in-Trade	21	299.06	682.19
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	22	(1168.54)	(309.44)
Other Manufacturing Expenses	23	8981.13	6930.71
Employee Benefits Expenses	24	2052.08	1851.61
Finance Costs	25	2419.98	1996.66
Depreciation and Amortization Expense		1315.63	1299.14
Other Expenses	26	3098.18	2775.04
Total Expenses		<u>42338.93</u>	<u>37240.86</u>
V. Profit before exceptional and extraordinary items and tax (III-IV)		1119.53	588.47
VI. Exceptional Items		-	-
VII. Profit before extraordinary items and tax (V-VI)		1119.53	588.47
VIII. Extraordinary Items:			
Prior Year Expenses		-	-
IX. Profit before tax (VII-VIII)		1119.53	588.47
X. Tax Expense :			
(1) Current Tax		228.47	138.90
(2) MAT Credit Entitlement		(96.58)	(135.05)
(3) Deferred Tax		239.98	203.23
(4) Prior Year Taxes		-	-
		<u>371.87</u>	<u>207.08</u>
XI. Profit for the period from continuing operations (IX-X)		747.66	381.39
XII. Profit from discontinuing operations		-	-
XIII. Tax expense of discontinuing operations		-	-
XIV. Profit from discontinuing operations (after tax) (XII-XIII)		-	-
XV. Profit for the period (XI + XIV)		<u>747.66</u>	<u>381.39</u>
XVI. Earnings per equity share			
(1) Basic		2.91	1.49
(2) Diluted		2.91	1.49
Weighted Number of Equity Shares		25653905	25653905

The notes form an integral part of these consolidated financial statements

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**  
Chartered Accountants

**CA. R MAHADEVAN**  
Partner

Coimbatore  
7th June, 2012

Membership No.27497  
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**B SRIHARI**  
Managing Director

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2012

PARTICULARS	31.03.2012	31.03.2011
	(Rs. in lakhs)	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before tax and extraordinary items	1119.53	654.46
Adjustments for:		
Depreciation	1315.64	1299.14
Profit/Loss on sale of assets	0.50	93.19
Dividend Received	-0.32	-0.29
Interest Charges	2419.98	1996.66
<b>Operating Profit before working capital changes</b>	<b>4855.33</b>	<b>4043.16</b>
Adjustments for:		
Trade and other receivables	434.41	200.31
Inventories	-2172.91	-1871.12
Loans & Advances	309.14	-597.39
Other Current Assets	-197.96	-293.30
Current Liabilities	1427.61	1230.04
<b>Cash generated from operations</b>	<b>4655.62</b>	<b>2711.70</b>
<b>Cash flow before extraordinary items</b>	<b>4655.62</b>	<b>2711.70</b>
Extraordinary items	-132.43	-3.85
<b>Net cash from operating activities</b>	<b>4523.19</b>	<b>2707.85</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Withdrawn / Sale of fixed assets	15.55	63.74
Acquisitions of fixed assets	-1206.29	-378.80
Dividend received	0.32	0.29
Investments	-41.68	0.05
<b>Net cash used in investing activities</b>	<b>-1232.10</b>	<b>-314.72</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Provision for Equity Dividend	-192.40	-
Distribution Tax on Equity Dividend	-31.21	-
Provision for arrear of Preference Dividend	-200.00	-
Distribution Tax on Preference Dividend	-32.45	-
Long Term Borrowings from Banks	256.22	-1417.76
Short Term Borrowings from Banks	-618.21	998.73
Other Loans	-23.67	1.30
Interest paid	-2419.98	-1996.66
<b>Net cash used in financing activities</b>	<b>-3261.70</b>	<b>-2414.39</b>
<b>Net Increase in cash and cash equivalents</b>	<b>29.39</b>	<b>-21.26</b>
Cash and cash equivalents as at 1st April, 2011 (Opening Balance)	663.74	685.00
Cash and cash equivalents as at 31st March, 2012 (Closing Balance)	693.13	663.74

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**  
Chartered Accountants

**CA. R MAHADEVAN**  
Partner

Coimbatore  
7th June, 2012

Membership No.27497  
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Managing Director

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Managing Director

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
(Rs. in lakhs)		
<b>Note 1 - Share Capital</b>		
<u>Authorised</u>		
31000000 Equity Shares of Rs.10 each	3100.00	3100.00
1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each	1000.00	1000.00
<u>Issued</u>		
25691305 Equity Shares of Rs.10 each	2569.13	2569.13
<u>Subscribed &amp; Paid up</u>		
25653905 Equity Shares of Rs.10 each, fully paid	2565.39	2565.39
<u>Forfeited Shares</u>		
(Amount originally paid up)	1.12	1.12
	<u>2566.51</u>	<u>2566.51</u>

### Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Particulars	31.03.2012	31.03.2011
Shares outstanding at the beginning of the year 25653905 Number	2565.39	2565.39
Shares outstanding at the end of the year 25653905 Number	2565.39	2565.39

### Shares in the company held by each shareholder holding more than 5 percent shares

Name of the Shareholder	31.03.2012		31.03.2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Sri Kannapiran Mills Limited	3065183	11.95	3065183	11.95
Shri KG Baalakrishnan	2578560	10.05	2578560	10.05
Shri B Srihari	2231859	8.70	2231859	8.70
Shri B Sriramulu	2208659	8.61	2208659	8.61
Smt B Sathyabama	1886500	7.35	1886500	7.35

### Terms and Conditions of Equity Shares :

The Company has only one class of Equity Shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share.

In the event of liquidation the Equity Shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts in proportion of their shareholding.

There are no shares allotted as fully paid without payments being received in cash, bonus shares or shares bought back.

### Note 2 - Reserves and Surplus

<b>a. Securities Premium Reserves</b>		
Opening Balance	444.44	444.44
Add : Addition / Deletions	-	-
Closing Balance	<u>444.44</u>	<u>444.44</u>
<b>b. Other Reserves</b>		
<b>General Reserve</b>		
Opening Balance	1555.71	1555.71
(+) Current Year Transfer	-	-
(-) Written Back in Current Year	-	-
Closing Balance	<u>1555.71</u>	<u>1555.71</u>
<b>c. Surplus</b>		
Opening Balance	(328.33)	(709.72)
(+) Net Profit/(Net Loss) for the current year	747.66	381.39
(+) Transfer from Reserves	-	-
(-) Proposed Equity Dividend	192.40	-
(-) Tax on Proposed Equity Dividend	31.21	-
(-) Arrears of Preference Dividend *	200.00	-
(-) Tax on Preference Dividend	32.45	-
(-) Transfer to Reserves	-	-
Closing Balance	<u>-36.73</u>	<u>(328.33)</u>
<b>Total</b>	<u>1963.42</u>	<u>1671.82</u>

Dividend proposed to be distributed to Equity Shareholders is Rs.0.75 (Previous Year - Nil) per Equity Share.

\* Arrears of Preference Dividend (10%) for the period from 01.04.2005 to 31.03.2007 to be distributed to ertswihle Preference Shareholders on value of Rs.10 Crores.

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
(Rs.in lakhs)		
<b>Note 3 - Long-Term Borrowings</b>		
<b>Secured</b>		
<b>(a) Term Loans</b>		
Indian Rupee Loan	-	-
From Banks (Secured)	4420.27	4150.14
<b>(b) Long term maturities of finance lease obligations</b>		
(Secured by Vehicles on Hire Purchase Loan)	16.46	30.37
There is no case of continuing default as on the Balance Sheet date in repayment of loans and interest		
<b>Total</b>	4436.73	4180.51

## Security Clause

### Bank borrowings of Term Loan and Working Capital Limits

Term loans from Indian Bank (IB), Bank of India (BOI) and Indian Overseas Bank (IOB) are secured by first pari passu charge on (a) all immovable properties situated in (i) 102.1897 acres of land at Jadayampalayam, Alangombu and Karamadai villages in Mettupalayam Taluk, Coimbatore District, Tamil Nadu and (ii) 2155.62 sq. meters of land at Amdha Village, Dharampur Taluk, Valsad District, Gujarat through equitable mortgage created with Indian Bank and (b) all plant and machineries including machineries and other movable fixed assets (excluding vehicles charged to financiers) acquired for the Expansion cum Diversification Scheme (ECDS) and New Capex Plan through Deed of Hypothecation.

Term loan from State Bank of Hyderabad and Term loan I from State Bank of India are secured by a first pari passu charge on (a) immovable properties in 48.5872 acres of land at Jadayampalayam, Alangombu and Karamadai Village in Mettupalayam Taluk, Coimbatore District, Tamilnadu and (b) all plant and machineries and other movable assets (excluding vehicles charged to financiers) acquired for the Expansion cum Diversification Scheme (ECDS) through Deed of Hypothecation.

Term loan II from State Bank of India is secured by a first pari passu charge on all plant and machineries acquired for the Modernisation cum Expansion Scheme (MCES) through Deed of Hypothecation.

Indian Bank is holding the original title deeds on its own behalf and on behalf of other Banks. Term loans are also guaranteed by Shri KG Baalakrishnan, Executive Chairman.

Indian Bank has two Term loans outstanding - Term loan I for Rs.751.22 lakhs & Term loan II for Rs.224.27 lakhs (Previous year Rs.1032.89 lakhs & Rs.299.71 lakhs). Term loan I is repayable in 32 quarterly installments commencing from 05.04.2007. Last Installment is due on 05.01.2015. Rate of Interest 14.00 % p.a. as at year end. (Previous year 12.25 % p.a.). Term Loan II is repayable in 90 monthly installments commencing from 15.10.2007. Last Installment is due on 15.03.2015. Rate of Interest 14.75 % p.a. as at year end. (Previous year 13.25 % p.a.).

Bank of India has two Term loans outstanding : Term loan I for Rs.685.45 lakhs & Term loan II for Rs.195.72 lakhs (Previous year Rs.957.10 lakhs & Rs.281.81 lakhs). Term loan I is repayable in 32 quarterly installments commencing from 07.04.2007. Last Installment is due on 07.01.2015. Rate of Interest 14.75% p.a. as at year end. (Previous year 13.25% p.a.). Term loan II is repayable in 87 monthly installments commencing from 15.10.2007. Last Installment is due on 15.12.2014. Rate of Interest 14.75% p.a. as at year end. (Previous year 13.75% p.a.).

State Bank of India has two Term loans outstanding: Term loan I for Rs.539.79 lakhs & Term loan II for Rs.524.63 lakhs (Previous year Rs.793.24 lakhs & Nil). Term loan I is repayable in 31 quarterly installments commencing from 08.09.2007. Last Installment is due on 08.03.2015. Rate of Interest 14.5% p.a. as at year end. (Previous year 12.25% p.a.). Term loan II is repayable in 60 monthly installments commencing from 01.04.2013. Last Installment is due on 01.03.2018. Rate of Interest 14.5% p.a. as at year end. (Previous year Nil).

State Bank of Hyderabad has One Term loan for Rs.539.59 lakhs (Previous year Rs.785.38 lakhs). Term loan is repayable in 29 quarterly installments commencing from 21.09.2007. Last Installment is due on 21.03.2015. Rate of Interest 15.5% p.a. as at year end. (Previous year 12.5% p.a.).

Indian Overseas Bank has two Term loans: Term loan I for Rs.400 lakhs (Previous year is Nil) is repayable in 20 quarterly installments commencing from 19.06.2012. Last Installment is due on 19.03.2017. Rate of Interest 14.75% p.a. as at year end. (Previous year Nil.) and Term loan II for Rs.559.60 lakhs (Previous year is Nil) is repayable in 60 monthly installments commencing from 28.04.2012. Last Installment is due on 28.03.2017. Rate of Interest 14.75% p.a. as at year end. (Previous year Nil).

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
	(Rs.in lakhs)	
<b>Note 4 - Deferred Tax Liabilities (Net)</b>		
Value of Depreciation as per books of accounts & IT purpose (DT Liability)	1304.71	1486.76
Less: Carried forward loss (Deferred Tax Assets)	179.11	604.27
Disallowances under IT Act and to be claimed in subsequent years	(2.10)	1.03
Net Deferred Tax Liability	<u>1123.50</u>	<u>883.52</u>
<b>Note 5 - Other Long -Term Liabilities</b>		
(a) Trade Payables	-	-
(b) Others	162.16	144.72
(i) Buyer Credits for Capital Goods	211.90	-
(ii) Inter Corporate Deposits	400.00	400.00
<b>Total</b>	<u>774.06</u>	<u>544.72</u>
<b>Note 6 - Long-Term Provisions</b>		
(a) Provision for employee benefits Gratuity (unfunded)	207.46	173.55
(b) Others	-	-
<b>Total</b>	<u>207.46</u>	<u>173.55</u>
<b>Note 7 - Short-Term Borrowings</b>		
<b>Secured</b>		
(a) Loans repayable on demand from banks (Secured - Refer note below)	5129.46	5747.67
There are no case of default in repayment of loan and interest as on date of Balance Sheet	-	-
<b>Total</b>	<u>5129.46</u>	<u>5747.67</u>
<b>a. Holding Company</b>		
Working capital facilities from Indian Bank Consortium (Indian Bank, Bank of India, Allahabad Bank and State Bank of India) are secured by a first pari passu charge on the whole of the current assets through Deed of Hypothecation and second pari passu charge on (a) all the immovable properties situated in (i) 102.1897 acres of land at Jadayampalayam, Alankombu and Karamadai Villages in Mettupalayam Taluk, Coimbatore District, Tamil Nadu and (ii) 2155.62 sq. meters of land at Amdha Village, Dharampur Taluk, Valsad District, Gujarat through equitable mortgage created with Indian Bank and (b) all plant and machineries (excluding vehicles charged to financiers) through Deed of Hypothecation. The entire working capital facilities are also guaranteed by Shri KG Baal Krishnan, Executive Chairman.		
<b>b. Subsidiary</b>		
Working capitol loan from Indian Overseas Bank is secured by an exclusive first charges on the fixed and current assets. The loan are also personally guaranteed by Shri KG Baal Krishnan, Director.		
<b>Note 8 - Other Current Liabilities</b>		
(a) Current maturities of long-term debt (See Note 3)	1353.20	1412.00
(b) Current maturities of finance lease obligations	36.85	26.92
(c) Interest accrued and due on borrowings	61.96	61.37
(d) Creditors for capital goods	47.61	38.38
(e) Customer Credit Balance	106.66	100.41
(f) Security Deposits	47.68	0.30
(g) Duties and Taxes	74.20	59.40
(h) Credit Balance in Scheduled Banks(Current Account)	138.73	30.64
<b>Total</b>	<u>1866.89</u>	<u>1724.42</u>



# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
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(Rs. in lakhs)

## Note 9 - Short-Term Provisions

<b>(a) Provision for employee benefits</b>		
Gratuity (unfunded)	11.78	10.01
<b>(b) Others</b>		
Income Tax Provision	28.73	52.44
Wealth Tax Provision	2.53	0.61
Proposed Equity Dividends	192.40	-
Tax on Proposed Equity Dividend	31.21	-
Arrear of Preference Dividend	200.00	-
Tax on Preference Dividend	32.45	-
<b>Total</b>	<b>499.10</b>	<b>63.06</b>

## Note 10 - Fixed Assets

(Rs. in lakhs)

Particulars	GROSS BLOCK				ACCUMULATED DEPRECIATION					NET BLOCK		
	Balance as at 1st April, 2011	Additions	Disposals	Brought into use	Balance as at 31st March, 2012	Balance as at 1st April, 2011	Depreciation charge for the year	Adjustment due to revaluations	On Disposals	Balance as at 31st March, 2012	Balance as at 31st March, 2012	Balance as at 31st March, 2011
<b>(a) Tangible Assets</b>												
Land	390.69	-	-	-	390.69	-	-	-	-	-	390.69	390.69
Buildings	2682.25	200.59	-	-	2882.84	735.91	80.72	-	-	816.63	2066.21	1946.34
Plant & Equipment	16709.29	346.73	-	-	17056.02	9797.23	1132.78	-	-	10930.01	6126.01	6912.06
Electric Machinery	946.39	10.57	10.38	-	946.58	537.97	39.33	-	9.24	568.06	378.52	408.42
Furniture & Fixtures	195.67	27.28	-	-	222.95	70.55	11.75	-	-	82.30	140.65	125.13
Vehicles	336.46	38.09	34.60	-	339.95	145.53	27.36	-	19.68	153.21	186.74	190.93
Office Equipment	471.81	22.67	-	-	492.48	330.35	23.70	-	-	354.05	140.43	141.46
Others (specify nature)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	21732.57	645.93	44.98	-	22333.51	11617.54	1315.64	-	28.92	12904.26	9429.25	10115.03
Previous Year	21929.88	287.86	485.17	-	21732.57	10646.64	1299.14	-	328.25	11617.54	10115.03	11283.24
<b>(b) Intangible Assets</b>												
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>(c) Capital work in Progress</b>												
<b>Total</b>	103.43	739.98	-	179.60	663.81	-	-	-	-	-	663.81	103.43
Previous Year	12.47	90.96	-	-	103.43	-	-	-	-	-	103.43	12.47
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	21835.99	1385.91	44.98	179.60	22997.32	11617.54	1315.64	-	28.92	12904.26	10093.06	10218.46
Previous Year	21942.35	378.82	485.17	-	21836.00	10646.64	1299.14	-	328.25	11617.54	10218.46	11295.71

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
(Rs.in lakhs)		
<b>Note 11 - Non-Current Investments</b>		
<b>A Non-Trade Investments</b>		
Equity (Quoted)		
i Allahabad Bank - 5265 Equity Shares of Rs.10/- each	4.32	4.32
<b>Total-A</b>	<u>4.32</u>	<u>4.32</u>
<b>B Equity (Un Quoted)</b>		
Sub-total		
	-	-
<b>I Trade Investments (Associates)</b>		
i KG Fabriks Limited		
32,70,000 Equity Shares of Rs.10/- each-Un quoted	327.00	327.00
ii Sri Kannapiran Mills Limited	0.46	-
4588 Equity Shares of Rs.10/- each-Quoted		
<b>Sub-total</b>	<u>327.46</u>	<u>327.00</u>
<b>II Trade Investments (Others)</b>		
i Clover Energy Private Limited		
381750 Equity Shares of Rs.10/- each-Un quoted	38.17	-
ii TVH Energy Resource Pvt. Limited	3.00	-
30000 Equity Shares of Rs.10/- each-Un quoted		
<b>Sub-total</b>	<u>41.17</u>	<u>-</u>
<b>Total - B (I+II)</b>	<u>368.63</u>	<u>327.00</u>
<b>C Other Investments</b>		
	-	-
<b>Grand Total (A+B+C)</b>	<u>372.95</u>	<u>331.32</u>
Less : Provision for diminution in the value of investments	-	-
<b>Total</b>	<u>372.95</u>	<u>331.32</u>
Aggregate amount of quoted investments	4.32	4.32
Market value of quoted investments	9.81	12.15
Aggregate amount of unquoted investments	368.63	327.00

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
	(Rs.in lakhs)	
<b>Note 12 - Long-Term Loans and Advances</b>		
<b>a. Capital Advances</b>		
Advance for Capital Goods-Un secured considered good	341.00	207.25
Others	-	-
	<u>341.00</u>	<u>207.25</u>
<b>b. Security Deposits</b>		
Security Deposits - Un secured considered good	54.39	45.22
	<u>54.39</u>	<u>45.22</u>
<b>Total</b>	<u>395.39</u>	<u>252.47</u>
<b>Note 13 - Inventories</b>		
<b>a. Raw Materials and Components</b>		
Goods-in transit-Grey Fabrics	234.11	-
	<u>3953.23</u>	<u>3112.05</u>
<b>b. Work in progress</b>		
Goods-in transit	-	-
	<u>1359.51</u>	<u>1275.62</u>
<b>c. Finished Goods</b>		
Goods-in transit-Fabrics	433.81	307.09
	<u>5230.48</u>	<u>4145.83</u>
<b>d. Stock-in-trade</b>		
Goods-in transit	-	-
	<u>-</u>	<u>-</u>
<b>e. Stores and Spares</b>		
Goods-in transit	-	-
	<u>602.58</u>	<u>432.42</u>
<b>f. Others (Specify nature)</b>		
Stock of Waste	5.23	12.20
	<u>5.23</u>	<u>12.20</u>
<b>Total</b>	<u>11151.03</u>	<u>8978.12</u>

Mode of Valuation : Refer Note 27.3 in Significant Accounting Policies

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

PARTICULARS	AS AT 31.03.2012	ASAT 31.03.2011
	(Rs. in lakhs)	
<b>Note 14 - Trade Receivables</b>		
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	264.97	470.91
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	2202.92	2497.33
<b>Total</b>	<b>2467.89</b>	<b>2968.24</b>
<b>Note 15 - Cash and Cash Equivalents</b>		
a. Balances with banks	156.73	158.82
b. Cheques, drafts on hand	16.91	40.30
c. Cash on hand	13.35	22.00
d. Others (specify nature)		
EEFC Deposits	0.78	0.68
Margin Money Deposits	505.36	441.94
<b>Total</b>	<b>693.13</b>	<b>663.74</b>
<b>Note 16 - Short-term loans and advances</b>		
Unsecured, considered good		
Advance Recoverable in Cash or in kind or for value to be received		
For Material Purchase	955.69	1275.09
For Expenses / Others	228.62	217.66
For Duties & Taxes	342.07	370.10
Prepaid Expenses	138.51	112.71
<b>Total</b>	<b>1664.89</b>	<b>1975.56</b>
<b>Note 17 - Other Current Assets</b>		
a. Export Incentives Receivable	708.22	532.70
b. Excise Claim Receivable	34.19	34.18
c. Interest Subsidy from Govt. Agencies	158.27	261.19
d. Interest Receivable	7.24	23.94
e. Miscellaneous Expenditure	1.90	1.31
<b>Total</b>	<b>909.82</b>	<b>853.32</b>

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

PARTICULARS	31.03.2012	31.03.2011
	(Rs. in lakhs)	
<b>Note 18 - Revenue from Operations</b>		
Sale of Products	41491.43	35384.59
Sale of Services - Job Work	1346.95	1578.46
Other Operating Revenues : Waste Cotton / Yarn / Accessories Sales	376.72	444.47
<u>Less:</u>		
Excise Duty	88.30	-
<b>Total</b>	<u>43126.80</u>	<u>37407.52</u>
<b>Details of Sale of Products</b>		
Fabrics	31933.56	28277.13
Garments	6132.89	5569.89
Home Textiles	3177.29	1365.29
Terry Towel	247.69	172.28
<b>Total</b>	<u>41491.43</u>	<u>35384.59</u>
<b>Note 19 - Other Income</b>		
Interest Income	49.47	42.66
Interest Subsidy received under TUFs	232.04	284.04
Dividend Income	0.32	0.29
Insurance Claim Received	8.60	9.97
Exchange Gain on Export Sales	21.55	43.82
Other non-operating income (Net of expenses directly attributable to such income)	19.68	41.03
<b>Total</b>	<u>331.66</u>	<u>421.81</u>
<b>Note 20 - Cost of Materials Consumed</b>		
Opening Stock	3112.05	2055.90
Purchases	26182.58	23071.10
<b>Sub-total</b>	<u>29294.63</u>	<u>25127.00</u>
Less : Closing Stock	3953.22	3112.05
<b>Raw Materials Consumed</b>	<u>25341.41</u>	<u>22014.95</u>
<b>Imported and Indigenous Raw Materials consumed</b>		
Imported	1909.44	1152.21
Indigenous	23431.97	20862.74
<b>Total</b>	<u>25341.41</u>	<u>22014.95</u>
<b>Details of Raw Material Consumed</b>		
Cotton	4178.62	4303.09
Yarn	11657.57	9465.88
Fibre	504.13	-
Fabrics	5381.39	4958.31
Chemicals	3021.20	2803.32
Accessories	598.50	484.35
<b>Total</b>	<u>25341.41</u>	<u>22014.95</u>

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

PARTICULARS	31.03.2012	31.03.2011
	(Rs.in lakhs)	
<b>Note 21 - Purchases of Stock-in-Trade</b>		
Garments Purchase	299.06	682.19
<b>Total</b>	<u>299.06</u>	<u>682.19</u>
<b>Note 22 - Changes in Inventories of Finished Goods Work-in-Progress and Stock-in-Trade</b>		
<b>Opening Stock :</b>		
Work-in-Process	1275.62	1365.47
Finished Goods	4145.83	3746.54
Traded Items	-	-
	<u>5421.45</u>	<u>5112.01</u>
<b>Closing Stock :</b>		
Work-in-Process	1359.51	1275.62
Finished Goods	5230.48	4145.83
Traded Items	-	-
	<u>6589.99</u>	<u>5421.45</u>
<b>Total</b>	<u>(1168.54)</u>	<u>(309.44)</u>
<b>Note 23 - Other Manufacturing Expenses</b>		
(a) Power & Fuel	3422.64	2731.81
(b) Consumptions of Stores & Spare Parts	458.92	308.33
(c) Processing Charges	3777.44	2810.96
(d) Repairs & Maintenance		
For Plant & Machinery	659.80	728.35
For Buildings	128.32	67.05
For Others	534.01	284.21
<b>Total</b>	<u>8981.13</u>	<u>6930.71</u>
<b>Imported and Indigenous Stores &amp; Spare Parts Consumed</b>		
Imported	173.48	124.31
Indigenous	285.44	184.02
<b>Total</b>	<u>458.92</u>	<u>308.33</u>

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

PARTICULARS	31.03.2012	31.03.2011
	(Rs. in lakhs)	
<b>Note 24 - Employee Benefits Expenses</b>		
(a) Salaries and Incentives	1737.40	1557.69
(b) Salaries-Managing Director/Whole Time Director	68.35	64.35
(c) Contributions to Provident Fund and Other Funds	67.75	64.05
(d) Gratuity as per Actuarial Valuations	41.46	31.10
(e) Staff Welfare Expenses	137.12	134.42
<b>Total</b>	<b>2052.08</b>	<b>1851.61</b>
<b>Note 25 - Finance Costs</b>		
Interest Expense	2076.11	1710.99
Other Borrowing Costs	340.29	282.07
Applicable Net Gain/Loss on Foreign Currency Transactions and Translation	3.58	3.60
<b>Total</b>	<b>2419.98</b>	<b>1996.66</b>
<b>Note 26 - Other Expenses</b>		
Rent	95.70	124.52
Insurance	85.67	67.38
Rates and Taxes, excluding, Taxes on Income	60.48	61.76
<b>Payments to the Auditor as</b>		
a) As Auditor	2.22	2.24
b) For Taxation Matters	1.49	0.88
c) For Other Services	1.66	1.59
Legal, Professional & Consultancy Charges	45.27	47.20
Printing and Stationery	29.90	44.23
Postage, Telegrams and Telephones	125.04	113.95
Travelling Expenses and Maintenance of Vehicles	318.01	258.31
Director Sitting Fees	3.50	3.40
Software Maintenance Expenses	42.03	39.40
Brokerage	26.46	23.35
Commission on Sales	711.49	526.27
Discount on Sales	434.74	449.72
Selling Expenses	429.67	305.72
Freight Outwards	260.03	284.33
Exchange Loss on Export Sales	25.49	21.29
Prayer Hall Repairs and Maintenance	16.86	4.06
Bad Debts Written Off	179.24	140.57
Miscellaneous Expenses	202.73	161.68
Loss on sale of fixed assets	0.50	93.19
<b>Total</b>	<b>3098.18</b>	<b>2775.04</b>

# CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

## NOTE 27

### SIGNIFICANT ACCOUNTING POLICIES

#### 27.1. Method of Accounting:

The financial Statements have been prepared on the historical cost convention and in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 and normally accepted accounting principles. The accounting is on the basis of a going concern concept.

#### 27.2. Principles of Consolidation:

The Consolidated Financial Statements relate to K G Denim Limited and its subsidiaries, have been prepared on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses as stated in Accounting Standard 21.

The Subsidiary companies considered in the Consolidated Financial Statements are:

Name of the Company	Country of Incorporation	Proportion of Voting Power as on 31.03.2012
Trigger Apparels Limited	India	100%
KG Denim (USA) Inc.	Delaware, USA	100%

#### 27.3. Other Significant Accounting Policies:

These are set out under "Significant Accounting Policies" of the financial statements of K G Denim Limited and Trigger Apparels Limited. No material activity has been carried out in KG Denim (USA) Inc.

27.4. For all other common notes forming part of Consolidated Financial Statements, please refer the notes of Holding Company K G Denim Limited.





## K G DENIM LIMITED

Registered Office : Then Thirumalai  
Jadayampalayam, Coimbatore - 641 302.

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the TWENTIETH ANNUAL GENERAL MEETING of the Members of K G DENIM LIMITED will be held on Friday, the 28<sup>th</sup> day of September 2012 at 9.30 a.m. at the Registered Office Premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302 to transact the following business:

#### ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31<sup>st</sup> March 2012, the Statement of Profit and Loss for the year ended 31<sup>st</sup> March 2012 and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri V Jagadisan, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Surinder Chhibber, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Smt T Anandhi, who retires by rotation and being eligible, offers herself for reappointment.
6. To consider and, if thought fit, to pass, with or without modification, the following Resolution relating to the appointment of the Auditors of the Company.

“RESOLVED that M/s Gopaliyer and Subramanian (Regn. No.000960S), Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company, from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration as shall be fixed by the Board of Directors of the Company.”

#### SPECIAL BUSINESS

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:  
“RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and 314 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, Shri S Muthuswamy, Director and Company Secretary (Whole-time), whose term of office comes to an end on 29.05.2012 under prior appointment made at the Annual General Meeting of the Company held on 27<sup>th</sup> August 2007 be and is hereby reappointed for period of five years from 30.05.2012 on the following terms as to Remuneration and Perquisites and for entering into an agreement with him incorporating the applicable terms and conditions of the appointment as per draft agreement approved by the Board of Directors being entered into with him:

- 1) Salary: Rs.11,17,500 per annum.
- 2) Perquisites: in addition to the above salary  
Expenditure for medical treatment, leave travel concession, personal accident insurance premium, Company's contribution to Provident Fund to the extent it is not taxable under the Income Tax Act, 1961. Gratuity and encashment of leave at the end of tenure as per the rules of the Company.
- 3) a. He shall be entitled to reimbursement of all actual expenses including entertainment and traveling incurred in the course of the Company's business.  
b. The Company shall provide a car with driver and telephone facility at the residence of the Director. Provision of car with driver for use on the Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company to the Director.

The above Salary and Perquisites shall be payable to him as minimum remuneration not withstanding the absence or inadequacy of Profits."

By Order of the Board

Coimbatore  
07.06.2012

**KG Baalakrishnan**  
Executive Chairman

**NOTES:**

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective must be deposited at the Registered Office at Then Thirumalai, Coimbatore 641 302 not less than 48 hours before holding the meeting.
3. Members holding shares in physical form are requested to intimate the Change of Address and their Bank Account details such as Bank name, Branch with address and Account number for incorporating the same in Dividend Warrants to M/s Cameo Corporate Services Ltd, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002 quoting their respective folio number and members holding shares in demat form shall intimate the above details to their Depository Participant with whom they have Demat Account.
4. As per the green initiative taken by the Ministry of Corporate Affairs, the shareholders are advised to register their e-mail address with the Company in respect of shares held in physical form and with the concerned Depository Participant in respect of shares held in Demat form to enable the Company to serve documents in electronic form.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday the 18th September 2012 to Friday, the 28th September, 2012 (both days inclusive).
6. The dividend recommended by the Board, if declared at the AGM will be paid to those members or their mandatees whose name appear on the Register of Members of the Company on 28th September, 2012. In respect of shares held in dematerialised form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the depositories for this purpose at the end of business hours 17th September, 2012. No deduction of tax at source will be made from dividend.
7. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business Item No.7 is enclosed.
8. Re-appointment of Directors:  
At the ensuing Annual General Meeting Shri V Jagadisan, Shri Surinder Chhibber and Smt T Anandhi retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchange are furnished in the Statement on Corporate Governance annexed in this Annual Report.

By Order of the Board

Coimbatore  
07.06.2012

**KG Baalakrishnan**  
Executive Chairman

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

**ITEM No.7**

Shri S Muthuswamy is professionally qualified as FCA, AICWA and ACS. He is 56 years old. He is a Director of the Company from 30.05.2002. He was appointed as Company Secretary (Whole-Time) from 20.12.2003.

His appointment and remuneration as above were approved at the Annual General Meeting of the Company held on 27<sup>th</sup> August 2007 for period of five years from 30.05.2007. The necessary resolution for his reappointment is proposed. He satisfies the requirements of Part I of Schedule XIII of the Companies Act, 1956. His remuneration is proposed to be paid to him as minimum remuneration in the absence or inadequacy of profits for his services as Company Secretary.

The remuneration has been approved by the Remuneration Committee on 07.06.2012 and also by the Board on the 07.06.2012.

No Director of the Company is concerned or interested in the Resolution except Shri S Muthuswamy the proposed appointee. The explanation together with accompanying notice may be treated as an abstract of the terms of Appointment of Shri S Muthuswamy as Director/ Company Secretary pursuant to the provisions of Section 302 of the Companies Act, 1956.

Coimbatore  
07.06.2012

By Order of the Board  
**KG Baalakrishnan**  
Executive Chairman

## K G DENIM LIMITED

Registered Office : Then Thirumalai  
Jadayampalayam, Coimbatore - 641 302.

Please complete the Admission Slip and hand it over at the entrance of the Meeting Hall.  
Please also bring your copy of the enclosed Annual Report.

### ADMISSION SLIP

I hereby record my presence at the 20th Annual General Meeting of the Company on 28th September, 2012

Reg. Folio No. :

No. of Shares :

Name of the Shareholder :  
(In Block Capitals)

Signature of the Shareholder / Proxy :

## K G DENIM LIMITED

Registered Office : Then Thirumalai  
Jadayampalayam, Coimbatore - 641 302.

Reg. Folio No. :

PROXY FORM

No. of Shares :

I..... being a Member of  
K G DENIM LIMITED hereby appoint ..... Son / Husband of  
..... or..... Son / Husband of  
..... as my proxy to attend and vote for me and on my behalf at the  
20th Annual General Meeting of the Company to be held on Friday, the 28th September, 2012  
at 9.30 a.m. at K G DENIM LIMITED, Then Thirumalai, Jadayampalayam, Coimbatore - 641 302 and at any  
adjournment thereof.

Signed this .....day of ....., 2012

Signature

Affix  
1/- Re.  
Revenue  
Stamp

Note : The Proxy in order to be effective must be deposited at the Registered Office of the Company  
not less than 48 hours before the time for holding the Meeting.

BOOK - POST

If undelivered please return to :

**K G DENIM LIMITED**

**Registered Office :**

Then Thirumalai, Jadayampalayam

Coimbatore - 641 302