

K G DENIM LIMITED

MD	✓		BKC	✓
CS	✓		DPY	AA
RO	✓		DEV	AA
TRA	✓		AC	✓
AGM	✓	✓	SEM	✓
YE	✓	✓		✓



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**Sixth Annual Report
1997-98**





K G DENIM LIMITED

REGISTERED OFFICE

Jadayam palayam

Sirumugai

Coimbatore - 641 302

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E-mail : invreln@kgdenim.com

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BOARD OF DIRECTORS

Mr K G Balakrishnan
Chairman and Managing Director

Dr Bakthavathsalam G

Mr Balasundaram D

Mr Desikan G V S

Mr Jack O' Neill

Mr Jagadisan V

Mr Mirani C H

Mr Srihari B

Mr Vasudevan R

Mr P Periaswamy

Company Secretary

AUDITORS

M/s Gopalaiyer & Subramanian

Chartered Accountants

Coimbatore

LEGAL ADVISER

M/s Ramani & Shankar

Coimbatore

BANKERS

Indian Bank

Bank of India

South Indian Bank

Hongkong Bank

Bank of Nova Scotia

IN - HOUSE TRANSFER SERVICES

K G DENIM LIMITED

K G HOUSE 86 ARTS COLLEGE ROAD

COIMBATORE 641 018

PHONE : 0422 214261

DEPOSITORY SERVICES

Coimbatore Capital Market Services
(P) Ltd

85, Thambu Chetty Street

Chennai - 600 001

Phone : 044 5228307



DIRECTORS' REPORT

Dear Shareholders,

We have pleasure in presenting the Sixth Annual Report of the Company with the Audited Statement of Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

(Rs. Lakhs)

Particulars	For the year ended 31.03.98	For the year ended 31.03.97
Gross Profit	3099.35	2252.72
Interest	1685.15	1170.57
Profit Prior to Depreciation and write offs	1414.20	1082.15
Depreciation	428.24	293.84
Brand Equity Expenditure	153.10	104.84
Deferred Revenue Exp. / other write offs	202.79	96.43
Prior Year Expenditure	28.51	52.89
Net Profit	601.56	534.15
Balance brought forward	405.50	235.45
Transfer to Debenture Redemption Reserve	300.00	300.00
Transfer to MAT Credit Reserve	44.50	64.10
Preference Dividend with Tax thereon	117.66	-
Surplus Carried forward	544.90	405.50

Review of Operations

The Company has achieved good results in terms of production, sales & profitability when viewed in the backdrop of rising raw-material cost and sluggish trend both in the domestic and international trade.

The Company's expansion project went on stream in time. The fabrics production has increased to 168 lakh metres in 1997-98 from 117 lakh metres in 1996-97, registering a growth of 44 %.

The overall turnover has increased by 30 % to Rs.14360 lakh. The export performance of Rs.5329 lakh is commendable with a growth of 38 % over the previous year.

The Apparel Division's sales rose to Rs.2036 lakh i.e., an increase of over 300 % from Rs.641 lakh in 1996-97. The sales has increased from 2 lakh pieces to 5.6 lakh pieces. The Company's strategy of widening the network of C & F Agents, achieving market push through direct sales incentives and sustained by a matching brand building campaign has yielded good results.

The Company has invested substantially in the areas of expansion, technological innovation and the establishment of a national brand for the Company's products in order to overcome the ever increasing competition from the new entrants, MNCs, etc., This investment will ensure the Company's future profitability and market share.

**K G DENIM LIMITED****Prospects for the Current Year**

While maintaining the production levels and capacity utilisation, the Company proposes to increase the turnover and profitability by concentrating on exports & value added segment of Garments.

The Company's export thrust will be to directly market the fabrics through overseas offices in U.K., U.S.A. and other countries. Sales will be made through overseas warehouses to achieve greater market penetration.

The Company seeks to consolidate its " Trigger " brand jeans with continued brand building efforts and increasing the range to include gaberdines, premium varieties, shirts, etc.,

Deposits

The company has been accepting deposits from the public, shareholders, NRIs and others. The amount of deposits with the Company as on 31st March, 1998 was Rs.35.81 lakh. There were no unclaimed deposits as on 31st March, 1998.

Capital Expenditure

The Company incurred a capital expenditure of Rs.2419.64 lakh during the year.

Finance

Your directors acknowledge with gratitude, the valuable assistance and support extended by Financial Institutions and Banks.

Personnel

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

Listing

Your Company's shares are listed with the Coimbatore Stock Exchange and the Stock Exchange, Mumbai and the listing fees for the year 1998-99 have been paid.

The shares are also traded in the National Stock Exchange, Mumbai.

Directors

Dr G Bakthavathsalam, Mr D Balasundaram and Mr G V S Desikan retire by rotation at the ensuing Annual general meeting and are eligible for reappointment as Directors. Mr S P Oswal resigned from the Board on 30.03.1998 and the Directors record their appreciation of the valuable services rendered by him as director of the Company.

Auditors

The present Auditors M/s Gopalaiyer & Subramanian retire at the ensuing Annual General Meeting and are eligible for re-appointment.



Information pursuant to Section 217 of the Companies Act, 1956

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is enclosed. The particulars of employees covered under Section 217(2A) of the Companies Act, 1956 are given below :

a) Employed for the whole year

Name	Age	Designation
Mr Rajiv Merchant	33 Years	GM (Garments Division)
Remuneration	Experience	Employment Date
Rs.300832	11 years	01.02.1994
Last employed : Chief Executive (Marketing) - Ashok Fashions Limited		

b) Employed for part of the year : -

Our humble prayers to Lord Venkateswara, Goddess Lakshmi, Lord Muruga and Goddess Sri Saradambal for the continued prosperity of the Company.

Coimbatore
29th June, 1998

On behalf of the Board
K G Balakrishnan
Chairman and Managing Director

ANNEXURE TO DIRECTORS' REPORT

Conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 for the year ended 31st March 1998.

A. CONSERVATION OF ENERGY :

(a) Energy conservation measures taken :

In design and execution, energy conservation measures have already been implemented. The efforts to conserve and optimise the use of energy through improvements in design and operational methods shall continue.

(b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy :
High efficiency Motors and Capacitors have been installed to reduce losses.

(c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

The consumption of energy per unit of production would have been higher on account of input cost increase but for the above measures.

(d) Total energy consumption and energy consumption per unit of production :

K G DENIM LIMITED

FORM - A

FORM - B

A) POWER AND FUEL CONSUMPTION

	Year ended 31.3.98	Year ended 31.3.97
1. Electricity		
(a) Purchased:		
Units(Lakhs)	61.45	59.40
Total amount		
(Rs. in Lakhs)	217.70	144.12
Rate/Unit Rs.	3.54	2.43
(b) Own Generation		
(i) Through Diesel Generator		
Units(Lakhs)	93.87	33.60
Units per Ltr.		
of Diesel Oil	3.50	3.50
Cost/Unit Rs.	2.61	2.25
(ii) Through Steam		
Turbine/Generator	-	-
2. Coal (Specify quality and where used)	-	-
3. Furnace Oil	-	-
4. Others/internal generation - Steam		
Quantity(Tonnes)	34624.00	23652.00
Total cost		
(Rs. in lakhs)	111.50	80.76
Average rate/tonne of Steam generated (Rs.)	334.00	341.45
(B) Consumption per unit of production		
Electricity -		
Units per L.Metres	0.92	0.79

B. 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 development/diversifications.

2. Benefits derived as a result of the above R & D: Cost reduction and improved quality and enhanced performance in Export and Domestic Markets.

3. Future plan of 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.	8.35
c) Total	8.35
d) R & D Expenditure as % of Total Turnover	0.06

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Efforts :

We have achieved 37 % on our total turnover as export performance.

b) Total Foreign exchange used and earned :

Used	Rs. 178.98 lakhs
Earned	Rs. 4625.45 lakhs

Coimbatore
29th June, 1998

On behalf of the Board
K G Balakrishnan
Chairman and Managing Director