

K G DENIM LIMITED



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**Seventh Annual Report
1998-99**



K G DENIM LIMITED

REGISTERED OFFICE

Jadayampalayam
Coimbatore - 641 302

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E-mail : cskgdl@kgdenim.com

TRANSFER SERVICES

K G DENIM LIMITED
86 ARTS COLLEGE ROAD
COIMBATORE 641 018
PHONE : 0422 - 212931 / 212932

DEMAT SERVICES

COIMBATORE CAPITAL MARKET
SERVICES (P) LTD

No.7, Melony Road
T. Nagar
Chennai - 600 017
Phone : 044 - 4344581 / 4344591

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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 Sriramulu B
Mr Srihari B
Mr Vasudevan R
Mr Bharathan K (Nominee of ICICI)

COMPANY SECRETARY

Mr P Periaswamy

AUDITORS

M/s Gopalaiyer & Subramanian
Chartered Accountants
Coimbatore

LEGAL ADVISER

M/s Ramani & Shankar
Coimbatore

BANKERS

Indian Bank
Bank of India
South Indian Bank
State Bank of India
Dena Bank
Scotia Bank



DIRECTORS' REPORT

Dear Shareholders,

We have pleasure in presenting the Seventh Annual Report of the Company with the Audited Statement of Accounts for the year ended 31st March, 1999.

Financial Results

(Rs. in Lakhs)

Particulars	For the year	For the year
	ended 31.03.99	ended 31.03.98
Gross Profit	2075.42	3099.35
Interest	2028.56	1685.15
Profit Prior to Depreciation and write offs	46.86	1414.20
Depreciation	464.58	428.24
Brand Equity Expenditure	-	153.10
Deferred Revenue Exp./other write offs	207.36	202.79
Prior Year Expenditure	373.60	28.51
Net Profit/Loss	-998.68	601.56
Balance brought forward	544.90	405.50
Transfer to Debenture Redemption Reserve	-	300.00
Transfer to MAT Credit Reserve	-	44.50
Preference Dividend with Tax thereon	-	117.66
Surplus/Deficit carried forward	-453.78	544.90

Review of Operations

The Company achieved a marginal increase in turnover by 4 % in value terms from Rs.15,170 lakhs to Rs.15,800 lakhs. Export sales contributed 26 % of the turnover. Sale of fabrics increased by 6 % in volume terms. However, sharp decline in per metre realisation of fabric prices by 13 % both in Domestic and International markets, impacted the profitability. Raw-materials' prices have not declined correspondingly, thereby, reducing margins.

Prospects for the Current Year

The outlook for the current year is positive as fabric prices have stabilised and cotton prices have reduced world-wide. The Company has also initiated sales of full package jeans and denim shirts to many major international brands to insulate itself from the fluctuations of prices and to increase exports and add value.

The Company's brands TRIGGER and TREVI had done well in registering the growth of more than 72 %. The Company intends to maintain this momentum in future and hold a significant and dominating market share. With the sanction of India Brand Equity Fund, the Company proposes to increase TRIGGER sales in overseas.

The Company also spent considerably in product development activities to strategically reposition itself from being a basic denim manufacturer to improve its product mix by continuous innovation. The Company leads the field by introducing special varieties of denim and is a pioneer in new product categories such as stretch, viscose and linen blend denims, in the domestic market.

The changed product mix, the falling cotton prices and improvement in sales realisation for fabrics will contribute to better profitability for the current year.

The Company will continue to place emphasis on its apparels business.

K G DENIM LIMITED**Eco-Friendly**

The Products of both Fabrics and Garments Division have been certified as eco-friendly and the Company has taken all steps to obtain ISO 14001 for environmental management. The certification is expected by December, 1999.

Y2K Compliance

All softwares and hardwares used in recording financial transactions and most of the hardwares used in other operations are Y2K compliant. The remaining hardwares are expected to be replaced with Y2K compliant systems. The Company has made necessary contingency plans to cover the possibility of any of the hardware or software proving to be non-Y2K compliant

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, 1999 was Rs.82.11 lakhs. There were no unclaimed deposits as on 31st March, 1999.

Capital Expenditure

The Company incurred a capital expenditure of Rs.417.82 lakhs 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.

Directors

The Board at its Meeting held on 31.01.1999 appointed Mr B Sritamulu as Whole-Time Director of the Company. Mr C H Mirani, Mr V Jagadisan and Mr Jack O' Neill retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment as Directors.

Listing

Your Company's shares are listed with the Coimbatore Stock Exchange and the Stock Exchange, Mumbai.

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

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 as per 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 Company had no employee covered under Section 217(2A) of the Companies Act, 1956 during the period under review.

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

Coimbatore
30th June, 1999

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 1999.

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 :
- (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 cost reduction efforts have been offset by power tariff increase.
- (d) Total energy consumption and energy consumption per unit of production :

FORM - A

A) POWER AND FUEL CONSUMPTION

	Year ended 31.3.99	Year ended 31.3.98
I. Electricity		
(a) Purchased :		
Units (Lakhs)	39.54	61.45
Value (Lakhs Rs.)	157.30	217.70
Cost/Unit (Rs.)	3.98	3.54
(b) Generated :		
Units (Lakhs)	109.97	93.87
Units/Ltr of Diesel Oil	3.60	3.50
Cost/Unit (Rs.)	2.54	2.61
II. Steam :		
Steam generated in tons	36079.00	34624.00
Value (Lakhs Rs.)	70.46	115.64
Cost/Ton (Rs.)	195.29	334.00
Power Unit/Mtr	0.97	0.92

FORM - B

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 Market.
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 | 24.51 |
| b) Recurring | 109.49 |
| c) Total | 134.00 |
| d) R & D Expenditure as
% of Total Turnover | 0.89 |
- II. Technology absorption, adaptation and innovation :
Continuous efforts are made towards technology innovation.
- C. FOREIGN EXCHANGE EARNINGS AND OUTGO :
- a) Efforts :
We have achieved 26 % on our total turnover as export performance.
- b) Total Foreign exchange used and earned :
- | | |
|--------|------------------|
| Used | Rs. 428.28 lakhs |
| Earned | Rs.4079.79 lakhs |

Coimbatore
30th June, 1999

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

K G DENIM LIMITED**AUDITORS' REPORT**

We have audited the Balance Sheet of K G DENIM LIMITED as at 31.03.1999 and the Profit and Loss Account for the year ended on that date and report that :

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, the Company has kept proper books of account as required by law so far, as appears from our examination of the books. The Balance Sheet and Profit and Loss Account dealt with the above are in agreement with the books of account.

In our opinion and to the best of our information and according to the explanations given to us, the accounts together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required.

In our opinion the Balance Sheet and Profit and Loss Account complies with the requirements of the mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 and on the basis of such checks as considered appropriate and in terms of the information and explanations given to us, we further report that :

1. The Company has maintained proper records showing full particulars including quantitative and situation of fixed assets. As informed to us, these fixed assets have been physically verified by the management at reasonable intervals and no serious discrepancies have been noticed on such verification.
2. None of the Fixed Assets has been revalued during the year.
3. Physical verification of stocks of finished goods, stores and raw materials have been carried out by the management at reasonable intervals.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. No material discrepancies have been noticed by the management on such physical verification of stocks as compared to the book records.
6. In our opinion and on the basis of our examination of stock records, we are satisfied that the valuation is fair and proper in accordance with the normally accepted accounting principles.
7. According to the informations and explanations given to us, no loans have been obtained from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. Also, no loan has been obtained