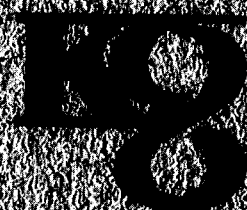


K C DENIM LIMITED



**Tenth Annual Report
2001 - 2002**



K G DENIM LIMITED

REGISTERED OFFICE

Then Thirumalai
Coimbatore - 641 302
Internet : <http://www.kgdenim.com>
E-mail : cskgdl@kgdenim.com

TRANSFER SERVICES

K G DENIM LIMITED
THEN THIRUMALAI
COIMBATORE - 641 302
PHONE : 04254 - 255555 - 58

DEMAT/ELECTRONIC SERVICES

CAMEO CORPORATE SERVICES LIMITED
'SUBRAMANIAN BUILDING'
No.1, CLUB HOUSE ROAD
CHENNAI - 600 002
PHONE : 044 - 8460390 - 94

BOARD OF DIRECTORS

Sri S R Rajasekaran
Sri Jack O' Neill
Sri K H Viswanathan
Nominee Director - IDBI
Sri S Rajagopalan
Sri S Muthuswamy

COMPANY SECRETARY
Mr K Adinarayanan

AUDITORS
M/s Gopalaier & 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
Bank of Nova Scotia

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K G DENIM LIMITED

NOTICE

Notice is hereby given that the TENTH ANNUAL GENERAL MEETING of the Members of K G DENIM LIMITED will be held on Thursday, the 27th March 2003 at 4.30 p.m at the Registered Office premises, Then Thirumalai, Coimbatore 641 302 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 30th June 2002, the Profit and Loss Account for the 15 months period ended 30th June 2002 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Jack O' Neill who retires by rotation and being eligible offers himself for reappointment.
3. To consider and if thought fit to pass with or without modification, the following Resolution as Special Resolution, relating to the appointment of Auditors of the Company.

"Resolved that M/s Gopalaiyer & Subramanian, Chartered Accountants, the retiring Auditors of the Company, be and are hereby reappointed 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

4. To consider and if thought fit to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION.

"Resolved that Sri S R Rajasekaran in respect of whom the Company has received a notice in writing from a member proposing him as a candidate for the office of the Director under the provisions of Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of a Director, be and is hereby appointed as a Director of the Company".

5. To consider and if thought fit, to pass with or without modification, the following Resolution as an ORDINARY RESOLUTION.

"Resolved that Sri S Rajagopalan in respect of whom the Company has received a notice in writing from a member proposing him as a candidate for the office of a Director under the provisions of Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of a Director, be and is hereby appointed as a Director of the Company".

6. To consider and if thought fit to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION

"RESOLVED that in respect of Sri S Rajagopalan who has been holding office as General Manager (Operations) in the service of the Company from 30.11.1998 and who having been appointed as a Director of the Company with effect from 30.05.2002 is deemed to be a Whole-Time Director, approval be and is hereby accorded pursuant to the provisions of Sections 198, 269, 309, 314 read with Schedule XIII and other applicable provisions of the Companies Act 1956 to his appointment as Whole-time Director with effect from 30.05.2002 for a period of 5 years from the said date 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 the draft agreement approved by the Board



of Directors for being entered into with him, subject to the approval of the Central Government as may be required".

1. Salary : Rs.3,00,000 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. The Director shall be entitled to reimbursement of all actual expenses including entertainment and travelling 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 on 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.

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

"Resolved that Sri S Muthuswamy in respect of whom the Company has received a notice in writing from a member proposing him as a candidate for the office of a Director under the provisions of Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of a Director, be and is hereby appointed as a Director of the Company".

8. To consider and if thought fit to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION.

"RESOLVED that in respect of Sri S Muthuswamy who has been holding office as Deputy General Manager in the service of the Company from 01.01.2002 and who having been appointed as a Director of the Company with effect from 30.05.2002 is deemed to be a Whole-time Director, approval be and is hereby accorded pursuant to the provisions of Sections 198, 269, 309, 314 read with Schedule XIII and other applicable provisions of the Companies Act 1956 to his appointment as Whole-time Director with effect from 30.05.2002 for a period of 5 years from the said date 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 the draft agreement approved by the Board of Directors for being entered into with him, subject to the approval of the Central Government as may be required".

1. Salary : Rs.3,90,000 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. The Director shall be entitled to reimbursement of all actual expenses including entertainment and travelling incurred in the course of the Company's business.

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- 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.

Coimbatore
26 th February, 2003

By order of the Board
K ADINARAYANAN
Company Secretary

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. The Register of Members of the Company and the Share Transfer Books will remain closed from 18.3.2003 To 27.3.2003 (both days inclusive)
3. Explanatory statement pursuant to Section 173 (2) of the Companies Act in respect of the special business under Items 3,4,5,6,7 & 8 is enclosed.

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

Item 3: As the share holdings of the Financial Institutions exceed 25 % of the subscribed share capital of the company, the appointment of the Auditors requires the approval of the share holders by a Special Resolution, as per the requirement of Section 224 A of the Companies Act, 1956. Hence the Special Resolution.

None of the Directors of the Company is concerned or interested in this resolution.

Item 4 : The Board, at its meeting held on 25.11.2002, appointed Sri S R Rajasekaran as an Additional Director and in terms of the provision of Section 260 of the Companies Act, 1956, Sri S R Rajasekaran holds office up to the next general meeting. A notice has been received from a shareholder under Section 257 of the Companies Act proposing the candidature of Sri S R Rajasekaran to the office of the Director. Sri S R Rajasekaran is a senior Chartered Accountant with over 30 years of experience in the field of finance, accounts and general management and the Company will be immensely benefited by his wide experience and knowledge. The Board recommends the appointment of Sri S R Rajasekaran as a Director of the Company. None of the Directors except Sri S R Rajasekaran is concerned or interested in the resolution.

Items 5 & 6: Sri S Rajagopalan is professionally qualified as B Tech (Textile Technology). He is 49 years old and has been in the service of the Company from 30.11.1998 as General Manager (Operations)

On 30.5.2002, he was appointed as an Additional Director of the Company. His reappointment as a Director is proposed at the Annual General Meeting.

In the context of Sri S Rajagopalan already in the service of the Company as an Executive becoming a Director of the Company he is deemed to be a Whole-time Director and accordingly approval is sought for his appointment and the payment of remuneration and perquisites as proposed in the text of the resolution.

The remuneration proposed is the same remuneration as Sri S Rajagopalan has been drawing as General Manager (Operations) immediately prior to his appointment as a Director on the Board.

Sri S Rajagopalan satisfies the requirements of Part – I of Schedule XIII to the Companies Act, 1956. The remuneration proposed to him will also be within the limits under paragraph I (A) of Section II of Part II of Schedule XIII. However, in the context of the Company having defaulted in repayment of institutional dues in the preceding financial year the approval of the Central Government is advised to be necessary for which necessary application will be made.

No Director of the Company is concerned or interested in the resolution except Sri S Rajagopalan as the proposed appointee. The explanation together with the accompanying notice may be treated as an abstract of the terms of appointment of the Director pursuant to the provisions of Section 302 of the Companies Act, 1956.

Items 7 & 8: Sri S Muthuswamy is professionally qualified as ACA, AICWA and ACS. He is 46 years old and has been in the service of the Company from 01.01.2002 as Deputy General Manager.

On 30.5.2002, he was appointed as an Additional Director of the Company. His reappointment as a Director is proposed at the Annual General Meeting.

In the context of Sri S Muthuswamy already in the service of the Company as an Executive, becoming a Director of the Company he is deemed to be a Whole-time Director and accordingly approval is sought for his appointment and the payment of remuneration and perquisites as proposed in the text of the resolution.

The remuneration proposed is the same remuneration as Mr S Muthuswamy has been drawing as Deputy General Manager immediately prior to his appointment as a Director on the Board.

Sri S Muthuswamy satisfies the requirements of Part – I of Schedule XIII to the Companies Act, 1956. The remuneration proposed to him will also be within the limits under paragraph I (A) of Section II of Part II of Schedule XIII. However, in the context of the Company having defaulted in repayment of institutional dues in the preceding financial year the approval of the Central Government is advised to be necessary for which necessary application will be made.

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

Coimbatore
26th February, 2003

By order of the Board
K ADINARAYANAN
Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

We have pleasure in presenting the Tenth Annual Report of the Company with the Audited Statement of Accounts for the period ended 30th June 2002.

Financial Results

Particulars	(Rs. In lakhs)	
	For the 15 months ended 30.06.2002	For the 12 months ended 31.03.2001
Gross Profit	3476.28	2247.90
Less: Interest	1559.06	2251.56
Profit Prior to Depreciation and write offs	1917.22	-3.66
Less: Depreciation	635.62	509.56
Less: Deferred Revenue Exp./other write offs	261.79	209.43
Add/Less: Prior-Year Expenditure/ Income	829.86	-108.86
Net Profit/Loss	1849.67	-831.51
Balance brought forward	-3173.61	-2342.10
Deficit carried forward	-1323.94	-3173.61

Review of Operations

During the 15 months, the Company had achieved production of 243 lakh meters of fabrics against the previous year 12 months level of 182 lakh meters. The market conditions continued to be good and the sales improved from Rs.17114 lakhs of previous year to Rs. 26751 lakhs for the 15 months ended 30.06.2002. The export sales grew from Rs.7235 lakhs during 2000-01 to Rs.11536 lakhs i.e., by 27%. The Company's profitability improved mainly on account of waivers from institutional debt restructuring.

Prospects for the Next Year

The favourable trend of demand is expected to continue in the next year. The Company is gearing itself to meet the increased demand by outsourcing a part of its production and balancing the capacities of weaving and preparatory sections. The Company is continuing with measures of cost reduction in power and other inputs. The raw material costs are expected to be favourable.

Financial Position

Our term lenders and institutional debentureholders excepting Unit Trust of India, have approved interest/principal waivers on account of our one time settlement and financial restructuring of their dues. Consequently, the financial position is improving. Consequent to the approval for waiver of interest/principal by Term Lenders and some of the Institutional debentureholders, the Company has come out of the potential sickness status. The accumulated losses are expected to be wiped off, once UTI, the remaining Institutional debenture holder also approve the waiver of interest due to them on debentures.

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Debentures

The first two instalments of Rs.8 each fell due on 9.6.2001 and 9.6.2002 in respect of debentures. The Company is in process of rescheduling the same with all financial institutional holders. The individual holders are being approached separately and repaid in lots.

Capital Finance

Your Directors acknowledge with gratitude, the valuable assistance and support extended by Financial Institutions and Banks to strengthen the financial commitments.

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 judgements 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.

Corporate Governance

As per the amended Listing Agreements with the Stock Exchanges, your Company is required to comply with the requirements of Corporate Governance during the period 2001-2002. Several steps already taken by the Company in this direction are attached to this report.

Listing

The Company's shares are listed in the Coimbatore and Mumbai Stock Exchanges.

Capital Expenditure

The Company incurred a capital expenditure of Rs.178 lakhs during the year

Dividend

The Directors regret their inability to recommend dividend due to non-availability of distributable profit

Directors

Resignations:

Sri V Jagadisan, Sri D Balasundaram, Dr G Bakthavathsalam and Sri C H Mirani resigned from the Board on 30.03.2002. Sri G V S Desikan resigned from the Board on 24.05.2002. Sri R Vasudevan resigned from the Board on 07.06.2002.

The Chairman and Managing Director, Sri K G Baalakrishnan and the Whole-time Directors, Sri. B. Sriramulu and Sri B Srihari resigned from the Board on 07.06.2002 to avoid disqualification under Section 274(1) (g) of the Companies Act, 1956. Indian Bank, who were acting as debenture trustees, withdrew their nominee Sri K G Balasubramanian from the Board, with effect from 02.09.2002. Your directors record their appreciation of the valuable services rendered by all the above members of the Board, during their respective tenure of office, as Directors of the Company.

Appointments

Sri S R Rajasekaran was appointed to the Board on 30.03.2002 as an Alternate Director to Sri. Jack O' Neill. Subsequently, he was appointed as an Additional Director at the Board meeting held on 25.11.2002 and consequently, his alternate directorship to Sri Jack O' Neill stood terminated with effect from that date.

Sri S Rajagopalan and Sri S Muthuswamy were both appointed as Directors with effect from 30.05.2002.

Retiring by rotation

Sri Jack O'Neill retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment as a Director.

Auditors

The present Auditors M/s. Gopalaiyer & Subramanian retire at the ensuing Annual General Meeting and are eligible for re-appointment. Cost Audit report for the financial year ending 30th June 2002 has been submitted to the Central Government in accordance with Cost Audit Report Rules, 2001.

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, Then Thirumalai Sri Venkatachalapathy, Lord Muruga and Goddess Sri Saradambal for the continued prosperity of the Company.

On behalf of the Board

S R RAJASEKARAN
Director

S MUTHUSWAMY
Director

Coimbatore
26th February, 2003

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 period ended 30th June, 2002.

A. CONSERVATION OF ENERGY:

- (a) Energy conservation measures taken : The Company is in the process of establishing steam-driven co-generation power unit with use of agriculture waste and coal as fuel
- (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: The effect of the measures are to be assessed over the future years
- (d) Total energy consumption and energy consumption per unit of production :

K G DENIM LIMITED**FORM - A****A. POWER AND FUEL CONSUMPTION**

	Period ended 30.06.2002	Year ended 31.03.2001
I Electricity		
(a) Purchased		
Units (Lakhs)	38.74	6.49
Value(Lakhs Rs.)	165.36	41.14
Cost/Unit (Rs.)	4.27	6.34
(b) Generated		
Units (Lakhs)	150.72	150.03
Unites/Ltr of Diesel Oil	3.32	3.50
Cost/Units(Rs.)	4.34	4.16
II Steam		
Steam generated In Tons	41398.00	33104.00
Value (Lakhs Rs.)	130.28	109.20
Cost/Ton (Rs.)	315.00	329.87
Power Unit/Mtr.	0.99	0.92

FORM - B**B. TECHNOLOGY ABSORPTION****I. Research and Development (R&D) :**

- 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
- 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
- Future plan of action :
The R&D efforts will continue to meet the present and future needs of the end-users.
- Expenditure on R & D :

	Rs. lakhs
a) Capital	0.00
b) Recurring	31.50
c) Total	31.50
d) R&D Expenditure as % of Total Turnover	Nil

II. Technology absorption, adaptation and innovation :

Continuous efforts are made towards technology innovation.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- Efforts : There has been a sharp increase in export sales during the year with exports contributing to 43% of total turnover.
- Total Foreign exchange used and earned :

Used	Rs. 5770.90 Lakhs
Earned	Rs. 9809.62 Lakhs

On behalf of the Board
S R RAJASEKARAN
 Director
S MUTHUSWAMY
 Director

Coimbatore
 26th February, 2003