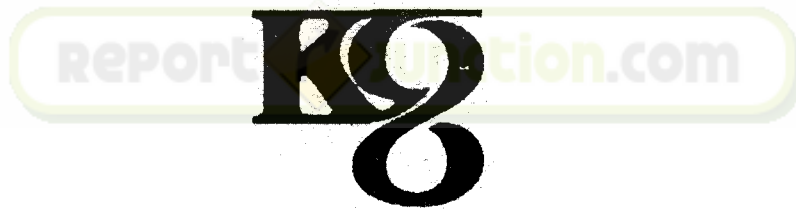


# **K G DENIM LIMITED**



## **Eleventh Annual Report 2002 - 2003**



## K G DENIM LIMITED

### BOARD OF DIRECTORS

**Executive Chairman** Shri K G Baalakrishnan

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

**Directors** Shri Jack O' Neill  
Shri S R Rajasekaran  
Shri G V S Desikan  
Shri V Jagadisan  
Shri K N V Ramani  
Smt T Anandhi  
Shri V Ramesh Babu  
Nominee Director - IDBI  
Shri S Rajagopalan  
Director - VP (Operations)  
Shri S Muthuswamy  
Director - GM (Fin. & Accts.)

### Registered Office

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

### Registrar and Share Transfer Agent

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

**Company Secretary** Shri K Adinarayanan

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

**Legal Advisor** M/s Ramarti & Shankar  
Coimbatore

**Bankers** Indian Bank  
Bank of India  
The South Indian Bank Ltd  
State Bank of India  
Dena Bank

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## K G DENIM LIMITED

### NOTICE

Notice is hereby given that the ELEVENTH ANNUAL GENERAL MEETING of the Members of K G DENIM LIMITED will be held on Saturday, the 20<sup>th</sup> December 2003 at 10.30 AM 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 30<sup>th</sup> June 2003, the Profit and Loss Account for the year ended 30<sup>th</sup> June 2003 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri S R Rajasekaran 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, relating to the appointment of the Auditors of the Company.

RESOLVED that M/s Gopalaier & Subramanian, 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

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

RESOLVED that Shri G V S Desikan 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 Shri V Jagadisan 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.

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

RESOLVED that Shri K N V Ramani 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.

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

RESOLVED that Shri K G Baalakrishnan 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 the 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 subject to the provisions of Section 198, 269 and 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, as may be necessary, Shri K G Baalakrishnan be and is hereby appointed as the Executive Chairman of the Company for a period of 5 years with effect from 3<sup>rd</sup> November 2003 at a remuneration of 3% share of net profits of the Company calculated in accordance with Section 349 of the Companies Act, 1956 for the first year and to be reviewed at the end of next year.

RESOLVED FURTHER THAT:

- a. The Executive Chairman 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, telephone and internet facility at the residence of the Executive Chairman. Provision of car with driver for use of the Company's business, telephone and internet 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 Executive Chairman.

A copy of the terms and conditions of appointment dated 03.11.2003 of Shri K G Baalakrishnan is available for inspection at the Registered Office of the Company during business hours.

Except Shri K G Baalakrishnan, Executive Chairman, Shri B Sriramulu, Managing Director, Shri B Srihari, Managing Director and Smt T Anandhi, Director, no other Director of the Company is interested in the said resolution.

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

RESOLVED that Shri B Sriramulu in respect of whom the Company has received a notice in writing from a member proposing him 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.

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

RESOLVED THAT subject to the provisions of Section 198, 269, 309 and 314, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals, as may be necessary, Shri B Sriramulu be and is hereby appointed as a Managing Director of the Company for a period of 5 years with effect from 3<sup>rd</sup> November 2003 at a remuneration of 3% share of net profits of the Company calculated in accordance with Section 349 of the Companies Act, 1956 for the first year and to be reviewed at the end of next year.

RESOLVED FURTHER THAT:

- a. The Managing 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, telephone and internet facility at the residence of the Managing Director. Provision of car with driver for use of the company's business, telephone and internet 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 Managing Director.

## K G DENIM LIMITED

A copy of the Agreement dated 3.11.2003 containing the terms and conditions of appointment of Shri B Sriramulu is available for inspection at the Registered Office of the Company during business hours.

Excepting Shri B Sriramulu, Managing Director, Shri K G Baalakrishnan, Executive Chairman, Shri B Srihari, Managing Director and Smt T Anandhi, Director of the Company, who are all related to each other as per Section 6(c) of the Companies Act, 1956 no other Director of the Company is interested in the said resolution.

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

RESOLVED that Shri B Srihari 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.

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

RESOLVED THAT subject to the provisions of Section 198, 269, 309 and 314, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals, as may be necessary, Shri B Srihari be and is hereby appointed as a Managing Director of the Company for a period of 5 years with effect from 3<sup>rd</sup> November 2003 at a remuneration of 3% share of net profits of the Company, calculated in accordance with section 349 of the Companies Act, 1956 for the first year and to be reviewed at the end of next year.

RESOLVED FURTHER THAT:

- The Managing Director shall be entitled to reimbursement of all actual expenses including entertainment and travelling incurred in the course of the Company's business.
- The Company shall provide a car with driver, telephone and internet facility at the residence of the Managing Director. Provision of car with driver for use of the Company's business, telephone and internet 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 Managing Director.

A copy of the Agreement dated 3.11.2003 containing the terms and conditions of appointment of Shri B Srihari is available for inspection at the Registered Office of the Company during business hours.

Excepting Shri B Srihari, Managing Director, Shri K G Baalakrishnan, Executive Chairman, Shri B Sriramulu, Managing Director and Smt T Anandhi, Director, who are all related to each other as per Section 6 (c) of the Companies Act, 1956, no other Director of the Company is interested in the said resolution.

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

RESOLVED that Smt T Anandhi in respect of whom the Company has received a notice in writing from a member proposing her 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.

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

RESOLVED that the consent of the Company be and is hereby accorded in terms of the provisions of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 and the Memorandum and Articles of Association of the Company and subject to the approval of Financial Institutions /Banks, to mortgaging and/or charging, by the Board of Directors of the Company, of all movable and immovable



properties of the Company, wherever situate, present and future, and the whole of the undertaking of the Company to or in favour of Indian Bank Consortium - comprising Indian Bank, Bank of India, The South Indian Bank Ltd, State Bank of India and Dena Bank (hereinafter referred to as IBC) and/or other Banks to secure term loans up to Rs.3600 lakhs to be obtained from the aforesaid IBC and/or other Banks together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, charges, expenses and other monies, if any, as per the stipulations in the letters of sanction and terms and conditions mentioned, if any, in other documents entered into/to be entered into by the Company, with the said IBC and / or other Banks in respect of the aforesaid term loan of Rs.3600 lakhs.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with IBC the documents for creating the aforesaid mortgage and/or charges and generally to do all such acts and things as may be necessary for giving effect to the above resolution.

By Order of the Board

Coimbatore  
03.11.2003

**K G 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. The Register of Members of the Company and the Share Transfer Books will remain closed from 16.12.2003 to 20.12.2003 (both days inclusive).
3. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the special business item nos.4 to 14 is enclosed.

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

**Item Numbers 4 to 6 :** The Board at its meeting held on 31.10.2003 appointed Shri G V S Desikan, Shri V Jagadisan and Shri K N V Ramani as Additional Directors of the Company. In terms of the provision of Section 260 of the Companies Act, 1956, Shri G V S Desikan, Shri V Jagadisan and Shri K N V Ramani will hold office up to the next annual general meeting. A notice has been received proposing the candidature of Shri G V S Desikan, Shri V Jagadisan and Shri K N V Ramani to the office of Directors.

None of the Directors except Shri G V S Desikan, Shri V Jagadisan and Shri K N V Ramani are concerned or interested in the resolution.

**Item Numbers 7 & 8 :** The Board at its meeting held on 03.11.2003 appointed Shri K G Baalakrishnan, as the Additional Director of the Company. In terms of the provision of Section 260 of the Companies Act, 1956 Shri K G Baalakrishnan holds office as a Director up to the next general meeting. His appointment as a Director is proposed at the Annual General Meeting.

The Board at its meeting held on 3.11.2003 appointed Shri K G Baalakrishnan as a Executive Chairman for a period for five years from 3.11.2003 subject to the overall supervision and control of the Board of Directors on the following terms and conditions.

**Terms :** Shri K G Baalakrishnan as Executive Chairman of the Company for a period of five years from 03.11.2003. The terms of appointment of Executive Chairman by the Board at its meeting held on 3.11.2003 is given in the text of the resolution.

He shall be entitled to the reimbursement of all expenses including entertainment and travelling incurred in the course of company's business.

## K G DENIM LIMITED

Shri K G Baalakrishnan aged 63 years is B. Com., B.L., and is a renowned industrialist. He has been associated with the textile industry for more than 40 years and instrumental in building K G Group in Coimbatore. He is also the Chairman and Managing Director of Sri Kannapiran Mills Limited that promoted K G Denim. He was the Managing Director of K G Denim for nine years from 1993 to June 2002.

Excepting Shri K G Baalakrishnan, Executive Chairman, Shri B Sriramulu, Managing Director, Shri B Srihari, Managing Director and Smt T Anandhi, Director who are all related to each other as per Section 6 (c) of the Companies Act, 1956, no other Director of the Company is concerned or interested in the resolution.

The explanation together with the accompanying notice may be treated as an abstract of the terms of appointment of the Director pursuant to Section 302 of the Companies Act, 1956.

Section II of Part II Schedule XIII of the Companies Act 1956, has no applicability since no minimum remuneration in the absence of inadequacy of profit is proposed.

Shri K G Baalakrishnan is also the Chairman and Managing Director of Sri Kannapiran Mills Limited where he is drawing remuneration and accordingly remuneration payable to him in this Company will be governed under Section III of Part II of Schedule XIII of the Companies Act, 1956.

**Item Numbers 9 & 10 :** The Board at its meeting held on 3.11.2003 appointed Shri B Sriramulu as a Managing Director of the Company. In terms of the provision of Section 260 of the Companies Act, 1956 Shri B Sriramulu holds office as a Director up to the next Annual General Meeting.

His appointment as a Director is proposed at the Annual General Meeting.

The terms of appointment of Shri B Sriramulu as a Managing Director by the Board at its meeting held on 3.11.2003 is given in the text of the resolution:

Shri B Sriramulu is associated with the Company from the inception in the capacity as President/Whole-Time Director and had resigned from the Board as a Whole-Time Director in June 2002. He has 12 years experience in textiles.

Shri B Sriramulu is the eldest son of Shri K G Baalakrishnan, Executive Chairman. He is a Graduate Engineer in Textile Technology from Bharathiar University, Tamil Nadu and Master of Science (Textile Technology) from the University of Manchester, UK.

None of the Directors excepting Shri B Sriramulu, Managing Director Shri K G Baalakrishnan, Executive Chairman, Shri B Srihari, Managing Director and Smt T Anandhi, Director who are related as per Section 6 (c) of the Companies Act, 1956 are concerned or interested in the resolution.

**Item Numbers 11 & 12 :** The Board at its meeting held on 3.11.2003 appointed Shri B Srihari as a Managing Director of the Company. In terms of the provision of Section 260 of the Companies Act, 1956 Shri B Srihari, holds office as a Director up to the next Annual General Meeting.

His appointment as a Director is proposed at the Annual General Meeting.

The terms of appointment of Shri B Srihari as a Managing Director by the Board at its meeting held on 3.11.2003 is given in the text of the Resolution:

Shri B Srihari is associated with the Company from the inception in the capacity as President/Whole-Time Director and had resigned from the Board as a Whole-Time Director in June 2002. He has 12 years experience in textiles.





Section II of Part II Schedule XIII of the Companies Act, 1956 has no applicability, since no minimum remuneration in the absence of inadequacy of profit is proposed.

Shri B Srihari is the younger son of Shri K G Baalakrishnan, Executive Chairman. He is a Graduate Engineer in Chemical Technology from Bharatidasan University, Tamil Nadu and Master of Science (Chemical Technology) from Bharatidasan University, Tamil Nadu and Master of Chemical Technology from Connell University, USA.

None of the Directors excepting Shri B Srihari, Managing Director Shri K G Baalakrishnan, Executive Chairman and Shri B Sriramulu, Managing Director, Smt T Anandhi, Director, who are related as per Section 6 (c) of the Companies Act, 1956 are concerned or interested in the resolution.

**Item Number 13 :** The Board, at its meeting held on 03.11.2003, appointed Smt T Anandhi as an Additional Director of the Company. In terms of the provision of Section 260 of the Companies Act, 1956 Smt T Anandhi, holds office up to the next annual general meeting. A notice has been received proposing the candidature of Smt T Anandhi to the office of Director.

Smt T Anandhi is the daughter of Shri K G Baalakrishnan, Executive Chairman. She has a basic Textile Engineering Education and has over 10 years experience in Textile fields such as cotton, spinning and garments. She is also on the board of Textile Companies.

**Item Number 14 :** Company has made arrangements with the Indian Bank Consortium (hereinafter referred to as IBC) and/or other Banks for sanction of term loans up to Rs.3600 lakhs for settlement of existing debts by way of debentures and term loans. The loans are to be secured by charge on the assets of the Company, both present and future in terms of sanction terms.

Section 293 (1) (a) of the Companies Act, 1956 stipulates that the Board of Directors of a Public Limited Company shall not except with the consent of the Company at a general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company, or where the company owns more than one undertaking of the whole or substantially the whole of any such undertaking.

Since the mortgage and/or charging of the movable or immovable properties of the Company in favour of IBC and/or other Banks may be regarded as disposal of the Company's properties, it is desirable for the Members to pass a resolution in terms of Section 293 (1) (a) of the Companies Act, 1956, as set out in Item 14 of the notice convening the meeting.

None of the Directors of the Company is interested in the proposed resolution.

By Order of the Board

Coimbatore.  
03.11.2003

**K G Baalakrishnan**  
Executive Chairman



## K G DENIM LIMITED

### DIRECTORS' REPORT

Dear Shareholders,

We have pleasure in presenting the Eleventh Annual Report of the Company with the audited results for the period ended 30th June 2003

### FINANCIAL RESULTS

Particulars	(Rs. In lakhs)	
	For 12 months ended 30.06.2003	For 15 months ended 30.06.2002
Gross Profit	5395	3476
Less: Interest	963	1559
Profit prior to Depreciation and Write offs	4432	1917
Less: Depreciation	531	635
Less: Deferred Revenue Exp./ Other write offs	1306	261
Add : Prior Year Income / Expenses (Net)	548	829
Net Profit	3143	1850
Less: Transfer to Debenture Redemption Reserve	300	-
Current & Deferred Tax	1287	-
Balance brought forward	-1324	-3174
Balance carried forward	232	-1324

### REVIEW OF OPERATIONS

During the year Company has achieved fabric production of 192 lakh meters as against 243 lakh meters during previous financial year of 15 months. The market conditions were good throughout the year. Sales of Rs.22380 lakhs for the year compare favourably with Rs.26751 lakhs of previous financial year of 15 months.

The improvement in the profitability arose out of improvements in product mix, reduction in raw material and other input cost and conclusion of financial restructuring of long term debt.

### PROSPECTS FOR THE NEXT YEAR

The favourable conditions which prevailed during the last year in respect of raw material prices may no longer be available as seen from the current trends of perceptible escalations. The margins are therefore susceptible to constant pressure. Company is alive to these problems and is actively taking all proactive measures to offset the likely increase in costs. Company has taken steps to reduce its reliance on outsourcing of weaving capacity by adding balancing capacities in weaving section.

Company set up a 3 MW Captive Cogeneration Power Plant using bio-mass fuel to conserve energy costs.

The Garments Division's operations are expected to be at the same level with ongoing efforts to cut down input costs and improve sales realization through better product mix.

### FINANCIAL POSITION

With the improvements in the profitability, the financial position also shows a healthy trend.



## DEBENTURES

Company obtained an one-time settlement from Unit Trust of India, the major debenture-holder with interest waiver. Company has also redeemed debentures held by individual holders.

## FINANCE

Your Directors acknowledge with gratitude the valuable assistance and support extended by Financial Institutions and Consortium Banks led by Indian Bank to strengthen the financial position. The timely sanction of adhoc LC limits by Indian Bank, Bank of India and Dena Bank enabled cotton imports to save on raw material cost.

## 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 2002-2003. Several steps have been already taken by the Company in this direction and a separate Report on Corporate Governance is attached to this Report.

## LISTING

The Company's shares are listed in The Coimbatore Stock Exchange and The Stock Exchange, Mumbai

## CAPITAL EXPENDITURE

The Company incurred a capital expenditure of Rs.1425 Lakhs during the year.

## DIVIDEND

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

## DIRECTORS

Shri G V S Desikan, Shri V Jagadisan and Shri K N V Ramani joined the Board on 31st October 2003. Shri K G Baalakrishnan joined the Board as Executive Chairman on 03.11.2003. Shri B Sriramulu and Shri B Srihari were appointed as Managing Directors from 03.11.2003. Smt.T Anandhi also joined the Board on the same date.

IDBI nominated Shri V Ramesh Babu as a Nominee Director in the place of Shri K H Viswanathan with effect from 13.6.2003. The Board places on record their appreciation of the valuable services rendered by Shri K H Viswanathan during his tenure as Director.