

# **K G DENIM LIMITED**



**Seventeenth Annual Report  
2008 - 2009**



## K G DENIM LIMITED

### BOARD OF DIRECTORS

**Executive Chairman** Shri KG Baalakrishnan

**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  
Coimbatore - 641 302  
Phone : (04254) 304401 / 304000  
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 Gopalaier and Subramanian  
Chartered Accountants  
Coimbatore

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

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**K G DENIM LIMITED****DIRECTORS' REPORT**

Dear Shareholders,

We have pleasure in presenting the Seventeenth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2009.

**FINANCIAL RESULTS**

(Rs. in lakhs)

<b>PARTICULARS</b>	<b>For the year ended 31<sup>st</sup> March 2009</b>	<b>For the year ended 31<sup>st</sup> March 2008</b>
Gross Profit	1872	1980
Less: Interest	1978	1763
Loss due to exchange variation	277	-73
Profit prior to Depreciation and write off	-383	291
Less: Depreciation	1306	1278
Add : Prior Year Income / (Expenditure) (Net)	20	56
Net Profit / (Loss)	-1709	-1043
Current, Deferred, FBT Tax & earlier year tax	-493	-358
Net Profit / (Loss) for the year	-1216	-685
Balance Brought forward	901	1586
Balance carried forward	-315	901

**REVIEW OF OPERATIONS**

During the year ended 31.3.2009, the Company achieved an overall production of 215 lakh meters of fabrics against the previous year's production of 213 lakh meters. The sales for the year ended 31.03.2009 was Rs.22054 lakhs as against sales of Rs.20867 lakhs during the previous year, representing an increase of 6%.

Exchange fluctuations mainly affected the profitability for the year along with increase in cost of inputs namely cotton, yarn, chemicals, power & fuel especially for the fabric segment. Apparel exports were maintained at near previous year levels with improved profitability.

**PROSPECTS FOR THE NEXT YEAR**

During 2009-10, the demand for denim has picked up in both the domestic as well as exports. The price realization are expected to improve with benefits from better exchange rates for exports. The company is focusing on achieving higher growth rate in processed fabrics including home textiles. Apparel exports are expected to increase marginally.

**FINANCE**

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

## 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

The Annual Report of the Subsidiaries of the Company Viz., Trigger Apparels Limited and KG Denim (USA) Inc., is annexed to this report. The Company has invested Rs.195 lakhs in its subsidiary Trigger Apparels Limited during the year. Trigger Apparels Limited is expected to consolidate its market position with improved sales and profitability. 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, 2009.

## 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 Ltd., Mumbai.

## CAPITAL EXPENDITURE

The Company incurred a capital expenditure of Rs.518.61 lakhs during the year.

## K G DENIM LIMITED

### DIRECTORS

Shri G V S Desikan, Shri K N V Ramani and Shri V Jagadisan retire by rotation and being eligible offer themselves for reappointment at the ensuing Annual General Meeting.

Shri S R Rajasekaran passed away on 05.10.2008 and Shri G P Muniappan was appointed as director in the resulting casual vacancy. The Board wishes to record its appreciation for the services rendered by Shri S R Rajasekaran.

### 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 2009 will be 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 particulars of employees covered under Section 217 (2A) of the Companies Act, 1956 during the period under review is enclosed.

Our humble prayers to **Sri Venkateswaraswamy Vari of Then Thirumalai** for the continued prosperity of the Company.

Coimbatore  
25.06.2009

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, 2009.

**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.
- 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 significant increase in costs.
- d) Total energy consumption and energy consumption per unit of production:

**FORM - A****A. POWER AND FUEL CONSUMPTION**

	31.03.2009	31.03.2008
<b>I Electricity</b>		
(a) Purchased		
Units in lakhs	48.06	57.60
Value in lakhs (Rs.) **	219.78	264.00
Cost/Unit (Rs.)	4.57	4.58
**Excludes fixed demand charges		
(b) Own Generation		
(i) Through Diesel Generator		
Units in lakhs	8.14	6.20
Units / Ltr.	3.10	2.70
Cost/Unit (Rs.)	9.64	9.61
(ii) Through steam turbine/generator		
Units in lakhs	197.76	194.38
Units/Ton of fuel mix	415.00	424.00
Cost/Unit (Rs.)	4.58	3.62
<b>II Coal</b>		
Quantity (Tonnes)	18948	19253
Total Cost (Rs. in lakhs)	841.68	644.99
Average Rate (Rs)	4442.00	3350.00
<b>III Saw Dust etc.,</b>		
Quantity (Tonnes)	24305	24672
Total Cost (Rs. in lakhs)	275.62	268.19
Average Rate (Rs)	1134.00	1087.00

**B. CONSUMPTION/UNIT OF PRODUCTION**

Electricity Unit/ Mtr. of Fabric	1.40	1.32
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**K G DENIM LIMITED****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                                | 9.94        |
| c) <b>Total</b>                             | <b>9.94</b> |
| d) R & D Expenditure as % of Total Turnover | 0.04        |

- 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.3786 Lakhs
Earned	Rs.7567 Lakhs

On behalf of the Board

Coimbatore  
25.06.2009**KG Baalakrishnan**  
Executive Chairman**ANNEXURE TO DIRECTORS' REPORT**

Statement of pursuant to Section 217 (2A) of the Companies Act, 1956 &amp; Companies (Particulars of Employees) Rules, 1975.

Details of Remuneration paid during the year ended 31.03.2009.

Sl. No.	Name & Designation	Age	Remuneration (Rs. in lakhs)	Qualification & Experience	Date of Commencement of Employment
1.	Shri B Sriramulu Managing Director	42	18.70	BE (Textile Technology) MS(Textile Technology) 20 Years	03.11.2003
2.	Shri B Srihari Managing Director	40	18.70	BE (Chemical Technology) MS(Chemical Technology) 18 Years	03.11.2003

**Notes :**

1. Nature of employment in all cases are contractual.
2. Shri B Sriramulu and Shri B Srihari are the Directors of the Company and are related to each other and to Shri KG Baalakrishnan, Executive Chairman and Smt T Anandhi, Director.

Coimbatore  
25.06.2009On behalf of the Board  
**KG Baalakrishnan**  
Executive Chairman



## 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 orders 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 2008 to 31<sup>st</sup> March 2009.

The present strength of the Board is 12 Directors, out of which 6 are independent directors.

6 (Six) 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: 14<sup>th</sup> May 2008, 23<sup>rd</sup> June 2008, 28<sup>th</sup> July 2008, 31<sup>st</sup> October 2008, 31<sup>st</sup> January 2009 and 31<sup>st</sup> March 2009. The Annual General Meeting was held on 24<sup>th</sup> September 2008. The table below gives the particulars of attendance of each Director at the Board Meetings held during the financial year and during his 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	6	6	Present	7	-	-
Shri B Sriramulu	6	6	Not Present	12	-	-
Shri B Srihari	6	5	Present	9	-	1
Shri S R Rajasekaran *	3	2	Not Present	-	-	-
Shri G P Muniappan **	3	3	NA	1	-	-
Shri G V S Desikan	6	6	Present	5	-	2
Shri V Jagadisan	6	4	Present	2	1	5
Shri K N V Ramani	6	6	Present	8	3	3
Smt T Anandhi	6	5	Not Present	4	-	-
Shri M J Vijayaraaghavan	6	5	Present	2	3	2
Shri Surinder Chhibber	6	1	Not Present	1	-	-
Shri A Velusamy	6	6	Present	7	1	4
Shri S Muthuswamy	6	6	Present	-	-	-

\* Shri S R Rajasekaran demised on 05.10.2008

\*\* Shri G P Muniappan appointed as a Director on 31.10.2008 for casual vacancy of Shri S R Rajasekaran. Shri B Sriramulu and Shri B Srihari are sons of, and Smt T Anandhi, daughter of Shri KG Baalakrishnan. None of the other directors are related to each other.

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

Shri G V S Desikan, a B.Sc., B.Sc.(Tech) graduate, aged 76 and has rich experience in the management of textile industry. He was formerly Technical Advisor for National Textile Corporation, New Delhi, Chairman and Managing Director of Kerala State Textile Corporation Ltd., Trivandrum and Managing Director of Binny Limited.

Shri K N V Ramani, M.A., B.L., aged 77 is a leading Advocate specialized in Corporate Laws. He has rich experience in Corporate Laws for more than four decades and has been on the Board of several Companies. M/s. Ramani & Shankar, firm of Advocates headed by him consists of panel of Advocates specialized in different fields of law.

Shri V Jagadisan, B.Com., FCA., aged 76 is the Senior Partner of M/s V Jagadisan & Co., Chennai one of the leading CA firms of South India. He was elected as Central Council Member of 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.



## K G DENIM LIMITED

### 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.

### 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 Exchanges 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 23.06.2008, 28.07.2008, 30.10.2008 and 31.01.2009.

Composition of the Audit Committee as on 31<sup>st</sup> March, 2009 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.

**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 23.06.2008, 28.07.2008, 31.10.2008 and 31.01.2009.

Shri R K Sridhar, Asst. General Manager (Accounts) 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 38. Outstanding complaints as on 31<sup>st</sup> March 2009 were 'Nil'.

**4. GENERAL MEETINGS**

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

16 <sup>th</sup> AGM	24 <sup>th</sup> September 2008	2.00 p.m.	Registered Office premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302
15 <sup>th</sup> AGM	27 <sup>th</sup> August 2007	9.30 a.m.	- do -
14 <sup>th</sup> AGM	28 <sup>th</sup> September 2006	4.00 p.m.	- do -
EGM	28 <sup>th</sup> March 2007	4.00 p.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 2009, the remuneration paid to the Directors as indicated below:-

Name of the Director & Designation	Salary Amount (Rs.)	Perquisites and other benefits (Rs.)	Total (Rs.)
Shri B Sriramulu, Managing Director	18,70,000	-	18,70,000
Shri B Srihari, Managing Director	18,70,000	-	18,70,000
Shri A Velusamy, Director	5,34,000	55,536	5,89,536
Shri S Muthuswamy Director & Company Secretary	6,67,500	60,552	7,28,052