



ANNUAL REPORT
2010-2011

K G DENIM LIMITED



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
Jadayampalayam, 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 Gopalaiyer and Subramanian
 Chartered Accountants
 Coimbatore

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

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K G DENIM LIMITED

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

We have pleasure in presenting the Nineteenth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 2011.

FINANCIAL RESULTS

(Rs. in lakhs)

PARTICULARS	For the year ended 31 st March 2011	For the year ended 31 st March 2010
Gross Profit	3911	3452
Less: Interest	1914	1965
Loss due to exchange variation	4	101
Profit prior to Depreciation and write off	1993	1386
Less: Depreciation	1293	1290
Add : Prior Year Income / (Expenditure) (Net)	19	2
Net Profit	681	94
Current, Deferred, FBT Tax & earlier year tax	231	77
Net Profit for the year	450	17
Balance Brought forward	-298	-315
Balance carried forward	152	-298

PERFORMANCE OF THE COMPANY

During the year ended 31.03.2011, the Company achieved an overall production of 241 lakh meters of fabrics against the previous year's production of 229 lakh meters. The sales for the year was Rs.32723 lakhs as against sales of Rs.25851 lakhs during the previous year, representing an increase of 27 %.

The increased turnover coupled with the ability of the Company to pass on the effects of higher raw material prices to the customers helped the company in achieving higher profits for the year.

INDUSTRY STRUCTURE & DEVELOPMENT

The Indian denim industry has consolidated its position in the global denim fabric and garment manufacturing during 2010-11. Its contribution to the nation's GOP has been increasing significantly.

During 2010-11, the domestic as well as export demand continued to show a healthy growth. The processed fabrics, particularly bed linens picked up during the year. Apparel exports increased but were moderately affected by rising input costs.

In the apparel segment, the preference by overseas customers for packaged ready made garments continued to increase.

OPPORTUNITIES AND THREATS

The domestic demand for denim continued to aid the company's growth plans. The company has stepped up its home textiles sales and is expected to do well in this segment in the next year. Apparel exports is expected to be maintained at current levels.

The increase in cotton and yarn prices during 2011-12, the higher interest rates and the volatility in exchange rates are the serious concerns facing the company. The company is taking steps to mitigate the effects of cost increases by suitable product mix changes and also by actively managing the exchange risk.

FINANCE

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

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

During the year, the gross turnover in Trigger Apparels Limited increased to Rs.30.48 crores from Rs.26.37 crores for the previous year. The subsidiary has been able to reduce its losses to Rs.68 lakhs from Rs.150 lakhs in the previous year.

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 31st March, 2011.

TRANSFER OF UNCLAIMED DEBENTURE TO IEPF

Pursuant to Section 205C of the Act, all unpaid/ unclaimed mature Debentures and interest thereon, remaining unpaid/ unclaimed for a period of 7 years from the date they became due for payment, have been transferred to the Investors Education and Protection Fund (IEPF) established by the Central Government.

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 Limited, Mumbai.

CAPITAL EXPENDITURE

The Company incurred a Capital Expenditure of Rs.264.67 lakhs during the year.

DIRECTORS

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

AUDITORS

The present Auditors M/s Gopalaiyer and Subramanian retire at the ensuing Annual General Meeting and are eligible for re-appointment. Cost Audit report for the financial year ending 31st March 2011 will be submitted to the Central Government in accordance with Cost Audit Report Rules, 2001.

K G DENIM LIMITED

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

Company already holds Certification under ISO 14001 : 2004 and ISO 9001 : 2008 to ensure confirmation of its process procedures to strict quality standard. Company is also strengthening its review control system by appointing External Consultants as Auditors. The Audit Committee also closely reviews with the internal and external auditors on the adequacy of internal control systems.

CAUTIONARY STATEMENT

The statement in this Directors' Report & Management Discussion and Analysis contain forward looking statements regarding Company's projections & expectations and the actual results could differ materially from those expressed on account of various factors like raw material prices, change in demand, government regulation etc., and the readers are cautioned against placing undue reliance on the same.

STATUTORY INFORMATION

During the year there were no employees in receipt of remuneration covered by Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended vide GSR 289 (E) dated March 31, 2011 [Companies (Particulars of Employees) Amendments Rules, 2011].

Information pursuant to sub-section 1 (e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure to this Report.

As per Section 212 of the Companies Act, 1956, the Company is required to attach the Directors' Report, Balance Sheet, and Profit and Loss account of subsidiaries. The Central Government has granted general exemption from complying with Section 212 of the Companies Act, 1956 to all companies vide Notification No.5/12/2007-CL-III dated February 8, 2011. Accordingly, your Company has presented in this Report, the consolidated financial statements of the holding company and all its subsidiaries, duly audited by the Statutory Auditors. The Company has also disclosed in the Consolidated Balance Sheet the information required to be provided as per the aforesaid Notification dated February 8, 2011. The Company will make available the audited annual accounts and related information of its subsidiaries, upon request by any of its shareholders. The annual accounts of the subsidiary companies will also be kept for inspection by any member at the Registered Offices of the Company and its subsidiary companies.

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

Coimbatore
27.05.2011

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 31st March, 2011.

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



FORM - A

A. POWER AND FUEL CONSUMPTION

	31.03.2011	31.03.2010
I Electricity		
(a) Purchased		
Units in lakhs	48.00	43.00
Value in lakhs (Rs.) **	245.00	202.80
Cost/Unit (Rs.)	5.10	4.72
**Excludes fixed demand charges		
(b) Own Generation		
(i) Through Diesel Generator		
Units in lakhs	14.00	12.00
Units / Ltr.	3.10	3.20
Cost/Unit (Rs.)	10.07	9.03
(ii) Through steam turbine/generator		
Units in lakhs	187.00	209.00
Units/Ton of fuel mix	410.00	413.00
Cost/Unit (Rs.)	6.07	4.37
II Coal		
Quantity (Tonnes)	21716	19932
Total Cost (Rs. in lakhs)	1116.21	816.81
Average Rate (Rs)	5140.00	4092.00
III Saw Dust etc.,		
Quantity (Tonnes)	25495	23597
Total Cost (Rs. in lakhs)	386.00	307.70
Average Rate (Rs)	1514.00	1304.00
B. CONSUMPTION / UNIT OF PRODUCTION		
Electricity Unit/ Mtr. of Fabric	1.25	1.35

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	15.00
c) Total	15.00
d) R & D Expenditure as % of Total Turnover	0.05

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.1914 Lakhs
Earned	Rs.10653 Lakhs

Coimbatore
27.05.2011

On behalf of the Board
KG Baalakrishnan
Executive Chairman

K G DENIM LIMITED

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 stake holders 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 1st April 2010 to 31st March 2011. The present strength of the Board is 12 Directors, out of which 6 are independent directors.

4 (Four) 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: 26th May 2010, 13th August 2010, 08th November 2010 and 14th February 2011. The Annual General Meeting was held on 13th August 2010. 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 Baal Krishnan	4	4	Present	7	-	-
Shri B Sriramulu	4	4	Present	13	-	-
Shri B Srihari	4	4	Present	10	-	1
Shri G V S Desikan	4	4	Present	5	-	2
Shri V Jagadisan	4	4	Present	2	-	5
Shri K N V Ramani	4	4	Present	7	5	2
Shri G P Muniappan	4	4	Present	2	-	-
Smt T Anandhi	4	3	Present	4	-	-
Shri M J Vijayaraaghavan	4	4	Present	2	3	2
Shri Surinder Chhibber	4	1	Not Present	1	-	-
Shri A Velusamy	4	4	Present	8	-	4
Shri S Muthuswamy	4	4	Present	-	-	-

Profile of Directors retiring by rotation and eligible for reappointment

Shri M J Vijayaraaghavan, aged 78 years is a practicing Chartered Accountant and a Fellow Member of the Institute of Chartered Accountants of India having over 5 decades of rich and varied experience in Auditing, Taxation and Finance.

Shri G V S Desikan, a B.Sc., B.Sc. (Tech) graduate, aged 78 years 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 79 years is a leading Advocate specialized in corporate laws. He has rich experience in corporate laws for more than five 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.

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 26.05.2010, 13.08.2010, 08.11.2010 and 14.02.2011.

Composition of the Audit Committee as on 31st March, 2011 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 24.05.2010, 11.08.2010, 03.11.2010 and 11.02.2011.

Shri R K Sridhar, Asst. General Manager(Finance & 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 18. Outstanding complaints as on 31st March 2011 were 'Nil'.

4. GENERAL MEETINGS

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

18 th AGM	13 th August 2010	9.15 a.m.	Registered Office premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302
17 th AGM	29 th September 2009	10.30 a.m.	- do -
16 th AGM	24 th September 2008	2.00 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.

K G DENIM LIMITED

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 31st March 2011, 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	24,00,000	-	24,00,000
Shri B Srihari, Managing Director	24,00,000	-	24,00,000
Shri A Velusamy, Director	8,17,500	81,588	8,99,088
Shri S Muthuswamy, Director & Company Secretary	8,17,500	82,500	9,00,000

The details of sitting fees paid to Non-Executive Directors for attending the Board or Committee Meetings during the financial year ended 31st March 2011 were as follows :-

Name of the Directors	Sitting Fee (Rs.)	No. of Shares held
Shri G V S Desikan	100000	200
Shri V Jagadisan	100000	Nil
Shri K N V Ramani	100000	10000
Shri G P Muniappan	20000	Nil
Shri M J Vijayaraaghavan	20000	Nil

8. GENERAL SHAREHOLDER INFORMATION

- | | |
|--|--|
| <p>1. 19th AGM to be held on : 12.08.2011
at : 9.30 a.m.
venue : Registered Office Premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302</p> <p>2. Financial Calendar (Tentative)
First Quarter - Second week of August 2011
Second Quarter - Second week of November 2011
Third Quarter - Second week of February 2012
Results for the year ending 31st March 2012 last week of May 2012</p> <p>3. Date of Book Closure
01.08.2011 to 12.08.2011 (Both days inclusive)</p> <p>4. Listing of Equity Shares
Listed in Bombay Stock Exchange. The Company has paid the listing fees for the year 2011 - 2012 .</p> <p>5. Registrar and Share Transfer Agents
In accordance with SEBI's Circular dated 4th January 2003 directing that the work related to share registry, in physical & electronic modes, be maintained at a single point, as from 1st April 2003, both the above segments of share registry operations are now being handled by the SEBI Registered R & T Agent M/s Cameo Corporate Services Limited, at 'Subramanian Building', No.1 Club House Road, Chennai 600 002</p> <p>6. Stock Code
Bombay Stock Exchange Limited - 500239</p> <p>7. Demat ISIN No. for NSDL & CDSL
INE104A01012</p> <p>8. Share Transfer System
The Company's shares are traded in the stock exchange compulsorily in demat mode. Both the physical and demat modes of share transfers are being handled by company's Share Transfer Agent M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1 Club House Road, Chennai 600 002
The share transfer committee, which is a Board Committee, approves the transfer of shares.</p> <p>9. Dematerialisation of Shares
90.25% of the total equity shares (23153419 Shares) were held in the dematerialised form as on 31st March 2011. Trading in equity shares of the company is permitted only in dematerialised form w.e.f 26.06.2000, as per the notification of SEBI.</p> <p>10. i. Details of Public Funding obtained in the last three years.
No capital from public was raised during the last three years.</p> <p>ii. Outstanding GDRS/ADRS/Warrants or any convertible instrument
None</p> <p>11. Plant Location
K G DENIM LIMITED, Then Thirumalai, Jadayampalayam, Coimbatore 641 302</p> <p>12. Address for communication
K G DENIM LIMITED, Then Thirumalai, Jadayampalayam, Coimbatore 641 302</p> <p>13. Website
www.kgdenim.com</p> | |
|--|--|



9. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2011

Category	No. of Shareholders	%	No. of Shares	%
Upto 5,000	14269	86.19	2612669	10.18
5,001 - 10,000	1205	7.28	1043633	4.07
10,001 - 20,000	488	2.95	782648	3.05
20,001 - 30,000	187	1.13	490491	1.91
30,001 - 40,000	64	0.38	237897	0.93
40,001 - 50,000	99	0.60	474701	1.85
50,001 - 1,00,000	111	0.67	849520	3.31
1,00,001 and above	132	0.80	19162346	74.70
Total	16555	100.00	25653905	100.00

10. SHARE PRICE DATA

Market price data of the company's equity shares in Bombay Stock Exchange for the period from April 2010 to March 2011 is as below:

Month	BSE Price	
	High	Low
April 2010	13.18	11.01
May 2010	13.50	10.00
June 2010	12.72	8.27
July 2010	12.70	10.75
August 2010	18.10	10.75
September 2010	18.45	14.35
October 2010	21.55	15.00
November 2010	22.40	15.00
December 2010	17.20	12.75
January 2011	17.30	12.10
February 2011	13.80	10.85
March 2011	12.99	11.00

11. COMPLIANCE WITH NON MANDATORY REQUIREMENT

1. As the Company communicates corporate, financial and product information online on the web site www.kgdenim.com individual communication of half yearly results is not sent to the shareholders.
2. The Company has not passed any resolution requiring approval of the shareholders by postal ballot.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To the Members/Board of Directors of M/s K G DENIM LIMITED, COIMBATORE

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by M/s K G Denim Limited for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the Guidance Note on certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and on the basis of our examination described above, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants
CA. R MAHADEVAN
Partner
Membership No.27497
Firm Regn. No.000960S

Coimbatore
27.05.2011