



ANNUAL REPORT

2014-2015

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

Chief Financial Officer Shri M Balaji

Auditors M/s Gopalaiyer and Subramanian
Chartered Accountants
Coimbatore

Bankers Indian Bank
Bank of India
Allahabad Bank
State Bank of India
Indian Overseas Bank
The South Indian Bank Limited

Registered Office

Then Thirumalai
Jadayampalayam, Coimbatore - 641 302
Phone : (04254) 304300 / 235300
Website : www.kgdenim.com
E-mail : cskgdl@kgdenim.in
CIN : L17115TZ1992PLC003798

Registrar and Share Transfer Agent

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

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K G DENIM LIMITED

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

We have pleasure in presenting the Twenty-Third Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 2015.

FINANCIAL RESULTS

(Rs. in lakhs)

PARTICULARS	Standalone		Consolidated	
	For the year ended 31 st March 2015	For the year ended 31 st March 2014	For the year ended 31 st March 2015	For the year ended 31 st March 2014
Gross Profit	5093	5149	5203	5295
Less : Finance Cost	2797	2805	2874	2888
Profit prior to Depreciation and write off	2296	2344	2329	2407
Less : Depreciation	2098	1335	2118	1342
Net Profit	198	1009	211	1065
Current, Deferred & earlier year tax	177	350	174	391
Net Profit for the year	21	659	37	674
Balance Brought forward	2197	1762	1775	1324
Proposed Dividend & Tax thereon	232	224	232	224
Additional Depreciation (Net of DTL)	430	-	433	-
Balance Carried Forward	1556	2197	1147	1775

STATE OF THE COMPANY'S AFFAIRS

During the period under review, the Company has earned revenue of Rs.59178 lakh and Net Profit of Rs.21 lakh on standalone basis and Rs.61883 lakh and Rs.37 lakh respectively on consolidated basis.

PERFORMANCE OF THE COMPANY

The Company has two main product divisions viz., Denim, Apparel Fabric and Home Textiles.

During the year ended 31.03.2015, total Fabric production was 316 lakh meters as against 309 lakh meters in 2013-14. Sale of Fabric was 309 lakh meters as against 300 lakh meters in 2013-14.

The profitability for the year was lower mainly on account of additional depreciation to the extent of Rs.7.02 crore as per the new Companies Act, 2013.

DIVIDEND

The Board of Directors recommends a dividend of 7.50 % (i.e. Rs.0.75) per equity share of the Company for the year 2014-15. The Dividend tax payable amounts to Rs.39 lakh.

INDUSTRY STRUCTURE & DEVELOPMENT

The Indian Denim industry is showing steady growth in domestic and international markets.

Our focus remains on sales to leading domestic and international brands in India and also to large exporters of readymade garments. We are concentrating in the Far East Countries of Vietnam, LaosPDR and China besides direct sales to North America. Products are being developed to cater to both retailers and fashion brands thereby gaining advantage in both segments and increasing volumes. Sale of Home Textiles and Ready made Garment Segments look promising in the year ahead.

OPPORTUNITIES AND THREATS

The Company is targeting higher production and sales volume for Denim in the current year. Sale of Home Textiles are also expected to achieve higher volumes.

The Company is in the process of setting up a 9.9 MW co-generation system to take care of its power needs and also to eliminate risk of power cuts in the region.

The Company is subjected to risks of volatility in the prices of raw materials and fashion changes.

High interest rates and exchange rate volatility are areas of serious concern for the Company. The Company has taken steps to increase the exports and is actively managing the exchange risk by suitable forward cover.

K G DENIM LIMITED

LISTING OF EQUITY SHARES

The Company's Equity shares are listed at the following Stock Exchange:

(I) BSE Limited, Phiroze JeeJeebhoy Towers, Dalal Street, Mumbai-400 001.

The Company has paid the Annual Listing Fees to the said Stock Exchange for the financial year 2015-16.

PERFORMANCE AND FINANCIAL POSITION OF EACH OF THE SUBSIDIARIES

During the year, the gross turnover in Trigger Apparels Limited was Rs.27.40 crore against Rs.39.22 crore during the previous year. The Subsidiary Company has been able to register a profit of Rs.15.56 lakh as against Rs.15.46 lakh in the previous year.

No activity has taken place at KG Denim (USA) Inc. during the year.

As per the provisions of Section 129 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014, a separate statement containing the salient features of the financial statements of the Subsidiary companies is prepared in Form AOC-1 and same is enclosed to this report as Annexure-1.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standards 21 issued by The Institute of Chartered Accountants of India (ICAI) and as per the provisions of Companies Act, 2013.

As per the provisions of Section 136 of the Companies Act, 2013, the Company has placed separate audited accounts of its subsidiaries on its website www.kgdenim.com and copy of separate audited financial statements of its subsidiaries will be provided to the shareholders at their request.

CEO/CFO CERTIFICATION

The Managing Director and Chief Financial Officer 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, 2015.

MEETINGS OF THE BOARD OF DIRECTORS

During the year ended 31st March, 2015, five Board Meetings were held.

The dates on which the Board meetings were held are 24th May 2014, 01st August 2014, 30th October 2014, 31st January 2015 and 22nd March 2015.

A meeting of the Independent Directors of the Board was held on 22nd March, 2015.

Details of meetings of the Board and its Committees are disclosed in the report on Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 134 OF THE COMPANIES ACT, 2013

Pursuant to the requirement under Section 134 of the Companies Act, 2013, with respect to the Directors' Responsibility Statement the Board of Directors of the Company hereby confirms:

- i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- ii) that the Directors have 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 as at 31st March 2015 and Statement of Profit and Loss Account of the Company for that period;
- iii) that the Directors have 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 other irregularities;
- iv) that the Directors have prepared the Annual Accounts for the Financial Year ended 31st March, 2015 on a going concern basis;
- v) that the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- vi) that the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

K G DENIM LIMITED

STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS UNDER SUB-SECTION (7) OF SECTION 149 OF THE COMPANIES ACT, 2013

The independent directors have submitted the declaration of independence, as required pursuant to Section 149(7) of the Companies Act, 2013 stating that they meet the criteria of independence as provided in sub-section(6).

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee consists of the following members namely Shri K N V Ramani, Chairman with Shri G V S Desikan and Shri V Jagadisan as members.

Brief description of terms of reference:

1. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board for their appointment and removal;
2. carry on the evaluation of every director's performance;
3. formulation of the criteria for determining qualifications, positive attributes and independence of a director;
4. recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees;
5. formulation of criteria for evaluation of Independent Directors and the Board;
6. devising a policy on Board diversity; and
7. any other matter as the Board may decide from time to time.

NOMINATION AND REMUNERATION POLICY

THE OBJECTIVES OF THE POLICY

1. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
2. To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies.
3. To carry out evaluation of the performance of Directors.
4. To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS UNDER SECTION 186 OF COMPANIES ACT, 2013

The details of Loans, Guarantees given and Investments made during the Financial Year ended on 31st March, 2015 are given in the notes to Financial Statements in compliance with the provisions of Section 186 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014.

PARTICULARS OF CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES REFERRED TO IN SUB-SECTION (1) OF SECTION 188 OF COMPANIES ACT, 2013

The Company adopted a Related Party Transaction Policy in terms of SEBI regulations for compliance with Corporate Governance and Clause 49 of the Listing Agreement. The policy has also been hosted on the Company's website. All transactions entered with Related Parties for the year 2014-15 were on Arm's length basis.

There were no material related party transactions in terms of the Related Party Transaction Policy adopted.

Thus disclosure in Form AOC-2 as per Companies Act, 2013 and Rule 8 of Companies (Account) Rules, 2014 is not required.

Further there were no material related party transaction with the Promoters, Directors or Key Managerial Personnel during the year.

All related party transaction are placed before the Audit Committee as also to the Board for approval on a quarterly basis. Omnibus approval was obtained for transaction of repetitive nature.

TRANSFER OF AMOUNT TO RESERVES

The Company does not propose to transfer any amount to the general reserve for the Financial Year ended 31st March, 2015.

EXTRACT OF ANNUAL RETURN

The extract of Annual Return is prepared in Form MGT-9 as per the provisions of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 and the same is enclosed as Annexure - 2 to this Report.

THE CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO PURSUANT TO PROVISIONS OF SECTION 134(3)(m) OF THE COMPANIES ACT, 2013 (ACT) READ WITH THE COMPANIES (ACCOUNTS) RULES, 2014

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 134(3)(m) of the Act read with Companies (Accounts) Rules, 2014 is prepared and the same is enclosed as Annexure - 3 to this Report.

RISK MANAGEMENT COMMITTEE

Risk Management Committee consists of the following persons namely Shri B Sriramulu, Chairman, Shri S Muthuswamy and Shri M Balaji as members.

The Committee had formulated a Risk Management Policy for dealing with different kinds of risks which it faces in day to day operations of the Company. Risk Management Policy of the Company outlines different kinds of risks and risk mitigating measures to be adopted by the Board. The Company has adequate internal control systems and procedures to combat the risk. The Risk management procedure is reviewed by the Audit Committee and Board of Directors on a Quarterly basis at the time of review of Quarterly Financial Results of the Company.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Corporate Social Responsibility is commitment of the Company to improve the quality of life of the workforce and their families and also the community and society at large. The Company believes in undertaking business in such a way that it leads to overall development of all stakeholders and Society.

The Board of Directors of the Company has constituted Corporate Social Responsibility Committee consisting of following persons namely Shri KG Baalakrishnan, Chairman, Shri G V S Desikan, Member and Shri A Velusamy, Member and adopted policy for Corporate Social Responsibility.

Corporate Social Responsibility policy was adopted by the Board of Directors on the recommendation of Corporate Social Responsibility Committee.

The provision of Section 135(1) of the Companies Act, 2013 were not applicable to the Company for the year. No scheme was hence recommended by the CSR Committee for the year.

The Report on Corporate Social Responsibility as Per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is hence not required.

EVALUATION OF BOARD

Evaluation of all Board members is done on an annual basis. The evaluation is done by the Board, Nomination and Remuneration Committee and Independent Directors with specific focus on the performance and effective functioning of the Board and Individual Directors.

The manner in which the evaluation has been done is explained in the report on Corporate Governance

K G DENIM LIMITED

DIRECTORS

Smt T Anandhi, Director of the Company retires by rotation and being eligible offers herself for re-appointment.

DETAILS OF DIRECTORS OR KEY MANAGERIAL PERSONNEL WHO WERE APPOINTED DURING THE YEAR

- | | | |
|----------------------|---|--------------------------------|
| 1. Shri B Sriramulu | - | Managing Director |
| 2. Shri B Srihari | - | Managing Director |
| 3. Shri S Muthuswamy | - | Director and Company Secretary |
| 4. Shri M Balaji | - | Chief Financial Officer |

The shareholders of the Company have appointed Shri K N V Ramani, Shri V Jagadisan, Shri Surinder Chhibber, Shri G V S Desikan, Shri M J Vijayaraaghavan and Shri G P Muniappan, as Independent Directors of the Company for a period of 5 years with effect from 01.04.2014 to 31.03.2019.

Shri M Balaji, has been designated as Chief Financial Officer of the Company pursuant to provisions of Section 203 of the Companies Act, 2013.

DEPOSITS

The Company has not accepted any deposits from the public in terms of Section 73 of the Companies Act, 2013.

STATUTORY AUDITORS

The Shareholders of the Company at the Annual General Meeting held on 08th September, 2014 have appointed M/s. Gopalaiyer and Subramanian, Chartered Accountants as Statutory Auditors of the Company.

The term of M/s. Gopalaiyer and Subramanian, Chartered Accountants, Statutory Auditors will expire on the date of 23rd Annual General Meeting to be held on 28th September 2015.

It is proposed to re-appoint them as Statutory Auditors of the Company for a further period of one year. The members are requested to consider their re-appointment and authorize the Board of Directors to fix their remuneration.

M/s. Gopalaiyer and Subramanian, Chartered Accountants (ICAI Regn. No.000960S) have confirmed that their appointment, if made, shall be in accordance with the provisions of Section 139 of the Companies Act, 2013.

AUDITORS REPORT

M/s.Gopalaiyer and Subramanian, Chartered Accountants (ICAI Regn. No.000960S) have issued Auditors Report for the Financial Year ended 31st March, 2015 and there are no qualifications in Auditors' Report.

INTERNAL AUDITORS

The Board of Directors of the Company have appointed M/s Mohan & Venkatramanan, Chartered Accountants to conduct Internal Audit of the Company.

AUDIT COMMITTEE

Audit Committee consists of the following Directors namely Shri V Jagadisan, Chairman, Shri K N V Ramani and Shri G V S Desikan as members, all the members of the Audit Committee are Independent Directors.

There is no such incidence where Board has not accepted the recommendation of the Audit Committee during the year under review.

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 - Annexure - 4.

VIGIL MECHANISM

The Board of Directors have adopted a Whistle Blower Policy which is hosted on the Company's website. The Whistle Blower Policy aims for conducting the affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. All permanent employees of the Company are covered under the Whistle Blower Policy.

A mechanism has been established for employees to report concerns about unethical behavior, actual or suspected fraud or violation of Code of Conduct and Ethics. It also provides for adequate safeguards against the victimization of employees who avail of the mechanism and allows direct access to the Chairperson of the Audit Committee in exceptional cases.

SECRETARIAL AUDITORS REPORT

As per the provisions of Section 204 of the Companies Act, 2013, the Board of Directors have appointed Shri M.R.L.Narasimha, Practising Company Secretary (C.P.No:799) as Secretarial Auditor to conduct Secretarial audit of the Company for the Financial Year ended on 31st March, 2015.

Secretarial Audit Report issued by Shri M.R.L.Narasimha, Practising Company Secretary in form MR-3 is enclosed as Annexure - 5 to this Annual Report. There are no qualifications in Secretarial Audit Report.

STATEMENT OF PARTICULARS OF APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL

The Statement of particulars of Appointment and Remuneration of Managerial personnel as per Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is enclosed as Annexure - 6 to this Annual Report.

ENVIRONMENT

The Company holds due certification under ISO 14001 : 2004 which is primarily focused on environmental management system. It ensures that the manufacturing of products is carried on without affecting the environment in the working area and surroundings.

The Company is a member of Sustainable Apparel Coalition (SAC). SAC provides credible, practical and industry wide guidelines and provides tools to define, measure and evaluate industry's product environmental and social performance support.

The Company has achieved one of the best scores in the apparel industry as verified by a leading brand assessor.

During the current year, the Company has implemented various environmental measures and reduction program like Green House Gas inventory measurement, replacement of freon gas air conditioners, increasing the area of plantation etc.

The Company has improved effluent water treatment system conforming to the Pollution Control Board parameters. A new plant has been added which has increased the Biological treatment capacity by 60%. An advanced technology of Biological Diffuser Aeration system has been introduced which has resulted in reduction in chemicals usage. Consequently, reduction in sludge, improvement in outlet water quality and consistence and improvement in RO recovery were achieved. The highlighting of our sustainability effort can be seen in the link <https://youtu.be/uZGhiwq6XSM>

HEALTH AND SAFETY

The Company has obtained certification under OHSAS 18001 : 2007 (Occupational Health and Safety Management Assessment Standard) which is an Integrated Management System focusing on an organization's occupational health and safety management system. This standard guides us to identify and control the conditions and factors that affect the well-being of employees, contractors, visitors and any other person in the work place.

The Company is implementing various health and safety practices in continuous manner as per OHSAS-18001 standards and legal requirements.

POLICY ON SEXUAL HARASSMENT

The Company has adopted policy on Prevention of Sexual Harassment of Women at Workplace in accordance with The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the financial year ended 31st March, 2015, the Company has not received any complaints pertaining to sexual harassment.

LEGAL REQUIREMENTS

The Company is conscious of improving the occupational and personal health of its employees. In addition to free medical camps, the Company also organizes employees' health check up in outside hospitals on an annual basis.

The Company provides a safer work environment for its employees. Basic equipments are provided to ensure safety from fire. Awareness classes are being conducted periodically with the help of external agencies about the basic safety, fire fighting, mock drills, mass evacuation, first aid etc.,

SOCIAL RESPONSIBILITIES

The Company is maintaining a hospital for serving the community including supply of medicines at subsidised costs. As a part of social environmental protection, agro forestry has been developed with a demo plant with the technical support of Forest College, Coimbatore.

INSURANCE

All properties and insurable interests of the Company including building, plant and machinery and stocks have been fully insured.

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, Indian Overseas Bank and The South Indian Bank Limited.

DETAILS IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

1. The Company maintains all its records in ERP System and the work flow and approvals are routed through ERP System;
2. The Company has appointed Internal Auditors to observe the Internal Controls, whether the work flow of organization is being done through the approved policies of the Company. In every Quarter during the approval of Financial Statements, Internal Auditors will present the Internal Audit Report and Management Comments on the Internal Audit observations; and
3. The Board of Directors of the Company have adopted various policies like Related Party Transactions Policy, Whistle Blower Policy, Policy to determine Material Subsidiaries and such other procedures for ensuring the orderly and efficient conduct of its business for safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

CHANGE IN THE NATURE OF BUSINESS

There is no change in the nature of business of the Company.

THE DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE.

No Significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

Details of pending legal cases are furnished in Note No.30 to the accounts.

MATERIAL CHANGES AND COMMITMENTS

There are no Material changes and commitments in the business operations of the Company from the Financial Year ended 31st March, 2015 to the date of signing of the Director's Report.

ACKNOWLEDGMENT

The Directors take this opportunity to place on record their sincere thanks to the Banks and Financial Institutions, Insurance Companies, Central and State Government Departments and the shareholders for their support and co-operation extended to the Company from time to time.

K G DENIM LIMITED

PERSONNEL

The Directors wish to place on record their appreciation for the co-operation extended by all sections of the employees.

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.

PARTICULARS OF EMPLOYEES

Information pursuant to sub-section 12 of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in Annexure to this report.

During the year under review there were no employees in receipt of remuneration covered by Section 197(12) read with Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

The 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 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 Office of the Company and its subsidiary companies.

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

On behalf of the Board

KG Baalakrishnan

Executive Chairman

DIN: 00002174

Coimbatore
23.05.2015