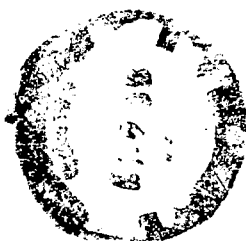


KG Fabriks Limited



14th Annual Report 2007 - 2008

KG KG Fabriks Limited

BOARD OF DIRECTORS

Chairman

Mr KG Baal Krishnan

Managing Directors

Mr B Sriramulu

Mr B Srihari

Directors

Mr V Jagadisan

Mr A Velusamy

Mr M Balasubramanian

Mr Duraipandian Kumaravel

AUDITOR

Mr C A Venkatesan

Chartered Accountant

Coimbatore

INTERNAL AUDITORS

M/s Gopalaiyer & Subramanian

Chartered Accountants

Coimbatore

LEGAL ADVISORS

M/s Ramani & Shankar

Advocates

Coimbatore

BANKERS

Canara Bank

Oriental Bank of Commerce

State Bank of Patiala

Indian Overseas Bank

REGISTERED OFFICE & FACTORY

Balakrishna Mill

Plot No. FF-1

SIPCOT IGC

Perundurai - 638 052

Erode District



KG Fabriks Limited

Registered Office : Plot No. FF - 1, SIPCOT IGC, Perundurai - 638 052

Ph: 04294 - 329908 Fax: 0422 - 4319410 Email:csd@kgfabriks.com

Notice is hereby given that the 14th Annual General Meeting of the members of the Company will be held at Registered Office of the Company at Plot No. FF-1, SIPCOT IGC, Perundurai, Erode - 638 052 on Wednesday the 24th day of September 2008 at 4.45 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March 2008, the Profit and Loss Account for the year ended 31st March 2008 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr V Jagadisan, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr Duraipandian Kumaravel, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and their remuneration. The retiring Auditor Mr C A Venkatesan, Chartered Accountant, is eligible for reappointment.

SPECIAL BUSINESS:

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

"RESOLVED THAT subject to 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 Five Years with effect from 3rd November 2008 on the following terms:

Shri B Sriramulu will not draw any remuneration as a Managing Director. The Company shall however, reimburse the Managing Director all expenses incurred by him for the business of the Company.

Shri B Sriramulu will not be liable to retire by rotation, during his tenure of office as a Managing Director."



6. 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 the Banks, if any, for mortgaging and/or charging, by the Board of Directors of the Company, of the 1 acre and at Trichy Road, Coimbatore, the immovable property of the Company, to or in favour of Canara Bank by way of first charge as security for term loan of Rs.1000 lakhs obtained from the aforesaid Bank 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 stipulation in the letter of sanction and terms and conditions mentioned, if any, in other documents entered into by the Company, with the said Bank in respect of the aforesaid term loan of Rs.1000 lakhs.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with the Bank the documents for creating the aforesaid mortgage and/or charge 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
23.06.2008

KG BAALAKRISHNAN
Chairman

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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. Proxy Form in order to be effective should be received at registered office of the company not less than 48 hours before the scheduled time of the meeting.
2. Members/Proxies should bring the enclosed Attendance Slip duly filled in for attending the meeting.
3. The Register of Members of the Company and the Share Transfer Book will remain closed from 16.09.2008 to 24.09.2008 (both days inclusive).
4. Members are requested to notify change of address, if any, with PINCODE to the company quoting reference of their folio number.
5. Members are requested to bring their copy of the Annual Report to the meeting.

By Order of the Board

Coimbatore
23.06.2008

KG BAALAKRISHNAN
Chairman

KG Fabriks Limited

Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956.

Item No. 5

Shri B Sriramulu is the Promoter and Director from the inception of the Company.

Shri B Sriramulu, 40, a Graduate Engineer in Textile Technology and Master of Science in Textile Technology from the University of Manchester, U K, has over 17 years of Managerial, Technical and Administrative experience in the industry. It is in the interest of the Company to have him as the Managing Director of the Company.

The terms of appointment of Shri B Sriramulu as Managing Director is given in the text of the resolution.

The shareholders are requested to approve the appointment of Managing Director on such terms as set out in the resolution.

Shri B Sriramulu, being the appointee concerned and Shri KG Baal Krishnan, Chairman and Shri B Srihari, Managing Director being relative of the said appointee may be deemed to be interested in the proposed resolution.

The explanation together with the accompanying the notice may also be considered as an abstract of the terms of the appointment of Managing Director and Memorandum as to the nature of the concern or interest of the Directors in the said appointment, as required under Section 302 of the Companies Act, 1956.

Item No. 6

Your Company had approached Canara Bank for term loan of Rs.1000 lakhs to augment its working capital. The Bank has sanctioned Rs.1000 lakhs and the same is to be secured by first charge on the said immovable property.

Section 293(1)(a) of the Companies Act, 1956 stipulate 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 said immovable property of the Company in favour of the said Bank may 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 6 of the notice convening the meeting.

By Order of the Board

Coimbatore
23.06.2008

KG BAALAKRISHNAN
Chairman



REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors are pleased to present the Fourteenth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2008.

FINANCIAL RESULTS

	(Rs. in lakhs)	
	Year ended 31.03.2008	Year ended 31.03.2007
Gross Profit	-75.99	104.02
Interest	607.18	221.81
Profit / Loss + / (-) Before Depreciation	-683.17	-117.79
Depreciation	513.41	433.41
Net Profit / Loss + / (-) Before Tax	-1196.58	-551.20

OPERATIONS

The Company had achieved increased production and sales level compared to previous year. However increased Raw Material cost, interest cost and lower sales margin resulted in net loss for the financial year.

OUTLOOK

The Company is deemed to be a sick industrial Company, in accordance with Sec 2 (46AA) of the Companies Act. The Company is taking efforts to improve the profitability by increasing the productivity and by the increased production of value added products and the performance of the Company is expected to improve in the ensuing years.

DIRECTORS

Mr V Jagadisan and Mr Duraipandian Kumaravel, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

AUDIT COMMITTEE

The Audit Committee of the Company comprises of the following Directors

- | | | |
|----|---------------------------|------------------------|
| 1. | Mr B Srihari | Managing Director |
| 2. | Mr A Velusamy | Non Executive Director |
| 3. | Mr Duraipandian Kumaravel | Non Executive Director |

AUDITORS

The Auditor, Mr CA Venkatesan, Chartered Accountant, retires at the conclusion of the ensuing Annual General Meeting and is eligible for reappointment.

KG Fabriks Limited

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217 (2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000 the Directors of your Company confirms:-

- that all applicable accounting standards have been followed in the preparation of annual accounts and there are no material departure;
- that such accounting policies have been selected and applied consistently and such judgements and estimates made 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, 2008 and of the Profit/Loss of the Company for the year ended on the date;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts have been prepared on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under Section 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure which forms part of the Directors' Report.

ADDITIONAL DISCLOSURES

The Company does not have any employee drawing the remuneration referred in Section 217 (2A) of the Companies Act, 1956.

PERSONNEL

The Industrial relations were cordial during the year under review.

ACKNOWLEDGEMENT

Your Directors express their appreciation for the co-operation extended by the Bankers, Customers and Employees at all levels and offer their sincere thanks for the same.

Our humble prayers to Lord Venkateswara, Then Thirumalai Sri Venkatachalapathy, Lord Muruga and Goddess Sri Saradambal for the continued prosperity of the Company.

For and on behalf of the Board

Coimbatore
23.06.2008

KG BAALAKRISHNAN
Chairman



ANNEXURE TO DIRECTORS' REPORT

Particulars pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A Conservation of Energy

- a) Energy Conservation measures taken:
A study in the energy conservation aspect is being conducted and the corrective measures being taken.
- b) Additional Investments and proposals being implemented for reduction of consumption of energy: Nil
- c) Impact of measures (a) & (b) above for reduction of energy consumption and consequent impact on cost of production: Not Applicable

FORM A

Form for disclosure of particulars with respect to conservation of energy

A. Power and Fuel Consumption	31.03.2008	31.03.2007
Electricity		
a) Purchased		
Units (in thousands)	9407.61	5968.80
Total amount (Rs. in thousands)	37886.23	25462.32
Rate per unit (Rs.)	4.03	4.27
b) Own generation:		
i) Through Diesel Generator Units (in thousands)	201.43	64.64
Units per Ltr of Diesel Oil	3.08	3.18
Cost/Unit (for Diesel only)	10.97	10.67
ii) Through Steam/Turbine Generator	-	-
B Power and Fuel Consumption		
Electricity – Units per Metre	1.01	1.18

Particulars pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

FORM B

A Research and Development (R & D)

Company is intending to set up an in-house system to improve the quality and to explore product development / value addition / diversification.

B Technology Absorption

Indigenous technology alone is used.

C Foreign Exchange Earnings and Outgo

Total foreign exchange used and earned

Used Rs. 202.40 lakhs

Earned Rs. 143.13 lakhs

For and on behalf of the Board

Coimbatore
23.06.2008

KG BAALAKRISHNAN
Chairman