

K G DENIM LIMITED



**Eighth Annual Report
1999-2000**



K G DENIM LIMITED

REGISTERED OFFICE

Jadayam palayam
Coimbatore - 641 302
Internet : <http://www.kgdenim.com>
E-mail : cskgdl@kgdenim.com

TRANSFER SERVICES

K G DENIM LIMITED
JADAYAM PALAYAM
COIMBATORE - 641 302
PHONE : 04254 - 52331 - 34

DEMAT/ELECTRONIC SERVICES

CAMEO CORPORATE SERVICES LIMITED
'SUBRAMANIAN BUILDING'
NO.1, CLUB HOUSE ROAD
CHENNAI - 600 002
PHONE : 044 - 8460390 - 94

BOARD OF DIRECTORS

Mr K G Baalakrishnan
Chairman and Managing Director

Dr Bakthavathsalam G
Mr Balasundaram D
Mr Bharathan K (Nominee of ICICI)
Mr Desikan G V S
Mr Jack O' Neill
Mr Jagadisan V
Mr Mirani C H
Mr Santhana Raman M N
(Nominee of IDBI)
Mr Sriramulu B
Mr Srihari B
Mr Vasudevan R

COMPANY SECRETARY

Mr P Periaswamy

AUDITORS

M/s Gopalaiyer & Subramanian
Chartered Accountants
Coimbatore

LEGAL ADVISER

M/s Ramani & Shankar
Coimbatore

BANKERS

Indian Bank
Bank of India
South Indian Bank
State Bank of India
Dena Bank
Bank of Nova Scotia

CONTENTS

Page

| | |
|-----------------------|----|
| Notice | 2 |
| Directors' Report | 5 |
| Auditor's Report | 7 |
| Balance Sheet | 9 |
| Profit & Loss Account | 10 |
| Schedules | 11 |
| Cash Flow Statement | 20 |

K G DENIM LIMITED**NOTICE**

Notice is hereby given that the Eighth Annual General Meeting of the Members of K G Denim Limited will be held on Wednesday, the 27th September, 2000 at 4.30 p.m. at the Registered Office of the Company at Jadayam palayam, Coimbatore - 641 302 to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Balance Sheet as at 31st March, 2000, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr G V S Desikan who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr G Bakthavathsalam who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr D Balasundaram who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as Special Resolution relating to the appointment of Auditors for the Company :

RESOLVED THAT M/s Gopalaiyer & 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 :

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

"RESOLVED THAT pursuant to Section 94 and all other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs.41 Crores divided into 3,10,00,000 Equity Shares of Rs.10 each and 10,00,000 Preference Shares of Rs.100 each to Rs.56 Crores divided into 3,10,00,000 Equity Shares of Rs.10 each and 25,00,000 Preference Shares of Rs.100 each and consequently, the existing Clause V of the Memorandum of Association of the Company relating to share capital, be and is hereby altered by deleting the same and substituting in its place and stead, the following as new Clause V :

V. The Authorised Share Capital of the Company is Rs.56 Crores divided into 3,10,00,000 Equity Shares of Rs.10 (Rupees Ten) each and 25,00,000 Preference Shares of Rs.100 (Rupees One Hundred) each with power to increase or reduce the Capital and to divide the capital into several classes and to attach thereto, respectively, such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or the Articles of Association of the Company and as the Company deems fit and necessary."

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

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered as follows :

The Authorised Share Capital of the Company is Rs.56 Crores divided into 3,10,00,000 Equity Shares of Rs.10 (Rupees Ten) each and 25,00,000 Preference Shares of Rs.100 (Rupees One Hundred) each with power to increase or reduce the Capital and to divide the capital into several classes and to

attach thereto, respectively, such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or the Articles of Association of the Company and as the Company deems fit and necessary."

8. To consider and, if thought fit, to pass with or without modification, the following as Special Resolution :

"RESOLVED THAT, in accordance with the provisions of Section 81 (1-A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the guidelines issued/as may be issued by the Securities and Exchange Board of India and/or other concerned Authorities, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "The Board" which term shall be deemed to include any Committee of Directors which the Board may have constituted or hereafter constitute to exercise its powers including the powers conferred by this Resolution) to issue, offer and allot Cumulative Redeemable Preference Shares at the rate not exceeding 12 % of the face value of Rs.100 each of an aggregate nominal value upto Rs.15 Crores at an issue price of Rs.100 per share to any Body-corporate, Financial Institutions, Non Resident Indians, Overseas-Corporate Bodies, Foreign Institutional Investors, Trusts, Mutual funds including off-shore Mutual funds, persons or individuals and/or any combination thereof, whether or not such body corporate, Financial Institutions, Non Resident Indians, Overseas Corporate Bodies, Foreign Institutional Investors, Trusts, Mutual funds including off-shore Mutual funds, persons or individuals are members of the Company on such terms and conditions and in such tranches as may be decided by the Board in its absolute discretion.

FURTHER RESOLVED that for the purpose of giving effect to the above resolution, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds and matters and things as it may at its discretion deem necessary or desirable for such purpose and with power on behalf of the Company to settle any question, difficulties or doubts that may arise in this regard as it may in its absolute discretion deem fit and proper."

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

"RESOLVED THAT, in accordance with the provisions of Section 81 (1-A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the guidelines issued/as may be issued by the Securities and Exchange Board of India and/or other concerned Authorities, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "The Board" which term shall be deemed to include any Committee of Directors which the Board may have constituted or hereafter constitute to exercise its powers including the powers conferred by this Resolution) to issue, offer and allot Equity Shares/Debentures (Fully convertible, Non Convertible, Partly Convertible or otherwise) Bonds (Non Convertible, Convertible, Euro Convertible or otherwise) of the face value of Rs.10 each of the aggregate nominal value upto Rs.10 Crores at par subject to applicable guidelines or Regulations to any Body-corporate, Financial Institutions, Non Resident Indians, Overseas Corporate Bodies, Foreign Institutional Investors, Trusts, Mutual funds including off-shore Mutual funds, persons or individuals and/or any combination thereof, whether or not such body corporate, Financial Institutions, Non Resident Indians, Overseas Corporate Bodies, Foreign Institutional Investors, Trusts, Mutual funds including off-shore Mutual funds, persons or individuals are members of the Company on such terms and conditions and in such tranches as may be decided by the Board in its absolute discretion.

K G DENIM LIMITED

FURTHER RESOLVED that for the purpose of giving effect to the above resolution, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds and matters and things as it may at its discretion deem necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard as it may in its absolute discretion deem fit and proper."

Coimbatore
28th July, 2000

By order of the Board
P PERIASWAMY
Company Secretary

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 Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 for Item Nos.5 to 9 is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 16.9.2000 to 27.9.2000 (both days inclusive).

EXPLANATORY STATEMENT**Item No.5 :**

As the shareholding held by the Financial Institutions exceed 25% of the subscribed share capital of the Company, the appointment of Auditors requires the approval of the shareholders by special resolution under Section 224 (A) of the Companies Act, 1956. Hence the special resolution.

None of the Directors of the Company is concerned or interested in this resolution.

Item Nos.6 & 7 :

The present Authorised Share Capital of the Company is Rs.41 Crores consisting of 3,10,00,000 Equity Shares of Rs.10 each and 10,00,000 Preference Shares of Rs.100 each. To enable issue of Preference Shares, the Authorised Share Capital of the Company is required to be increased to Rs.56 Crores consisting of 3,10,00,000 Equity Shares of Rs.10 each and 25,00,000 Preference Shares of Rs.100 each. The consequential alterations to the Memorandum, and Articles of Association of the Company to reflect the proposed change in the Authorised Share Capital require the approval of the Members in General Meeting.

None of the Directors of the Company is concerned or interested in these resolutions.

Item Nos.8 & 9 :

To augment the Company's resources for its long term working capital, it is proposed to raise an amount of Rs.25 Crores (inclusive of premium, if any) through issues of Equity/Preference Shares/Debentures/Bonds. Detailed terms and conditions including the issue price, premium, if any, etc., will be determined by the Board depending on the prevailing market conditions at the actual time of issue. The proposed issues will be subject to the approval of the concerned authorities. In terms of the proposed resolution, the Board is being empowered to issue and allot Equity Shares/Preference Shares/Debentures/Bonds to investors whether or not such investors are holders of equity shares of the Company.

The Board recommend these special resolutions for the approval of the Members.

None of the Directors of the Company is concerned or interested in these resolutions.

Coimbatore
28th July, 2000

By order of the Board
P PERIASWAMY
Company Secretary



DIRECTORS' REPORT

Dear Shareholders,

We have pleasure in presenting the Eighth Annual Report of the Company with the Audited Statement of Accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS

(Rs. in Lakhs)

| Particulars | For the year ended 31.03.2000 | For the year ended 31.03.1999 |
|---|-------------------------------------|-------------------------------------|
| Gross Profit | 1155.90 | 2075.42 |
| Interest | 2088.09 | 2028.56 |
| Profit Prior to Depreciation and write offs | -932.19 | 46.86 |
| Depreciation | 484.80 | 464.58 |
| Deferred Revenue Exp./other write offs | 54.26 | 207.36 |
| Prior Year Expenditure/Income | 30.13 | -373.60 |
| Net Profit/Loss | -1441.12 | -998.68 |
| Balance brought forward | -453.78 | 544.90 |
| Effect of change of Inventy. Valun. Method | -447.20 | — |
| Deficit carried forward | -2342.10 | -453.78 |

Review of Operations

The Company curtailed its production during the first nine months of operation on account of liquidity constraints and adverse market conditions. However, from January 2000 onwards the Company has been operating at peak capacity. Production of fabrics was 121 lakh metres as against 158 lakh metres in the previous year.

Prospects for the Next Year

The Company has been operating at peak capacity from the beginning. There is significant spurt in both local and international demand for denim fabrics, holding brighter prospects.

The Company is expanding its range of products in Garments to include Cotton Trousers, Khaki, etc., which is expected to boost the sales in the current year. The market feedback indicates a revival of jeans demand.

Financial Position

The finances of the Company got impacted for the year also due to difficult market conditions during major part of the year. With a view to strengthen the financial position, a financial restructuring plan involving part conversion of loan / preference shares into equity / preference shares with funding of interest dues repayable over the future years is under negotiation with financial institutions / mutual funds and banks. Majority of debentureholders have already accorded approval for extension of the redemption period of debentures by two years.

ISO 14001 Certification

ISO 14001 Certification from KPMG Quality Registrar, Holland was obtained during the year. K G Denim continues to be a forerunner in the industry by obtaining international quality standards for environment management system. This together with ISO 9002 already obtained will augur well for making increased exports to competitive world markets.

Deposits

The Company has not accepted any deposit from 1.4.2000. The deposits with the Company as on 31.03.2000 was Rs.42.92 lakhs.

Depository System

SEBI has notified that our company's shares can be traded only in dematerialised form by all investors with effect from 26.06.2000. This move facilitates quick transfers, saves stamp duty and prevents forgery. Hence, shareholders are advised to dematerialise their shares in their own interest. Your company also has made arrangements for the simultaneous dematerialisation of share certificates when lodged for transfer.