

K G DENIM LIMITED



**Sixteenth Annual Report
2007 - 2008**



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 K N V Ramani
Shri V Jagadisan
Smt T Anandhi
Shri S R Rajasekaran
Shri M J Vijayaraaghavan
Shri Surinder Chhibber
Shri A Velusamy
Shri S Muthuswamy
Director & Company Secretary

Registered Office

Then Thirumalai
Coimbatore - 641 302
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
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 Sixteenth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS

(Rs. in lakhs)

PARTICULARS	For the year ended 31 st March 2008	For the year ended 31 st March 2007
Gross Profit	2054	1871
Less: Interest	1763	1521
Profit prior to Depreciation and write off	291	350
Less: Depreciation	1278	1184
Add : Prior Year Income / (Expenditure) (Net)	56	-21
Net Profit / (Loss)	-1043	-855
Current, Deferred, FBT Tax & earlier year tax	-358	-163
Net Profit / (Loss) for the year	-685	-692
Balance Brought forward	1586	2277
Balance carried forward	901	1585

REVIEW OF OPERATIONS

During the year ended 31.3.2008, the Company achieved an overall production of 213 lakh meters of fabrics against the previous years production of 202 lakh meters. The sales for the year ended 31.03.2008 was Rs.20867 lakhs as against sales of Rs.20899 lakhs during the previous year.

The domestic sales volume for denim has increased by 19%. However, export prices were affected by exchange fluctuation along with rise in input costs. The Company managed production to suit market requirement during the year to prevent accumulation of stocks. The production and sale of processed fabrics was as per market demand. The apparel exports were reduced from Rs.24 crores in 2006-07 to Rs.12 crores in the current year consequent to fall in prices on account of exchange fluctuation.

PROSPECTS FOR THE NEXT YEAR

The demand for denim is expected to go up in domestic as well as export markets. Export prices are likely to pick up. The Company has stabilised its production and quality parameters in the new processed fabrics unit. With increase volume in processed fabrics, the performance is expected to be better. Apparel exports will be geared up for specialized product like organic denim.

FINANCE

Your Directors acknowledge with gratitude, the valuable assistance and support extended by our Bankers for term loans and working capital i.e., 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 judgements 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. Trigger Apparels Limited has penetrated the new markets and is poised for substantial growth in the coming years. 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, 2008.

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.998.85 lakhs during the year.

K G DENIM LIMITED

DIRECTORS

Smt T Anandhi, Shri S R Rajasekaran and Shri M J Vijayaraaghavan retire by rotation and being eligible offer themselves for reappointment at the ensuing Annual General Meeting.

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 31st March 2008 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.

On behalf of the Board

Coimbatore
23.06.2008

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, 2008.

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

	31.03.2008	31.03.2007
I Electricity		
(a) Purchased		
Units in lakhs	57.60	38.62
Value in lakhs (Rs.) **	264.00	179.50
Cost/Unit (Rs.)	4.58	4.65
**Excludes fixed demand charges		
(b) Own Generation		
(i) Through Diesel Generator		
Units in lakhs	6.20	2.46
Units / Ltr.	2.70	3.15
Cost/Unit (Rs.)	9.61	9.15
(ii) Through steam turbine/generator		
Units in lakhs	194.38	197.60
Units/Ton of fuel mix	424.00	435.00
Cost/Unit (Rs.)	3.62	3.83
II Coal		
Quantity (Tonnes)	19253	19810
Total Cost (Rs. in lakhs)	644.99	616.67
Average Rate (Rs)	3350.00	3113.00
III Saw Dust etc.,		
Quantity (Tonnes)	24672	28352
Total Cost (Rs. in lakhs)	268.19	287.33
Average Rate (Rs)	1087.00	1013.00

B. CONSUMPTION / UNIT OF PRODUCTION

Electricity Unit/ Mtr. of Fabric	1.32	1.17
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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	78
c) Total	78
d) R & D Expenditure as % of Total Turnover	0.37

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.3420 Lakhs
Earned	Rs.6903 Lakhs

On behalf of the Board

Coimbatore
23.06.2008

KG Baalakrishnan
Executive Chairman

ANNEXURE TO DIRECTORS' REPORT

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

Details of Remuneration paid during the year ended 31.03.2008.

Sl. No.	Name & Designation	Age	Remuneration (Rs. in lakhs)	Qualification & Experience	Date of Commencement of Employment
1.	Shri B Sriramulu Managing Director	41	15.00	BE (Textile Technology) MS(Textile Technology) 19 Years	03.11.2003
2.	Shri B Srihari Managing Director	40	15.00	BE (Chemical Technology) MS(Cheical Technology) 17 Years	03.11.2003

Notes :

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

Coimbatore
23.06.2008

On 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 1st April 2007 to 31st March 2008. 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: 28th June 2007, 28th July 2007, 30th August 2007, 22nd September 2007, 27th October 2007 and on 31st January 2008. The Annual General Meeting was held on 27th August 2007. 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
1	2	3	4	5	6
Shri KG Baalakrishnan	6	6	Present	7	-
Shri B Sriramulu	6	5	Present	12	-
Shri B Srihari	6	6	Present	8	2
Shri S R Rajasekaran	6	5	Not Present	-	-
Shri G V S Desikan	6	6	Not Present	7	-
Shri V Jagadisan	6	5	Present	3	5
Shri K N V Ramani	6	6	Present	4	2
Smt T Anandhi	6	6	Present	4	-
Shri M J Vijayaraaghavan	6	6	Not Present	2	2
Shri Surinder Chhibber	6	4	Present	1	-
Shri A Velusamy	6	6	Present	6	4
Shri S Muthuswamy	6	6	Present	-	-

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

Smt T Anandhi, aged 43 has basic textile education and has over 13 years experience in textile field such as Cotton, Spinning and Garments. She is also on the board of various textile companies.

Shri S R Rajasekaran, aged 75 is a Senior Chartered Accountant with over 30 years of experience in the field of Finance, Accounts and General Management.

Shri M J Vijayaraaghavan, aged 75 is a practicing Chartered Accountant and a fellow member of the Institute of Chartered Accountants of India having over 4 decades of rich and varied experience in Auditing, Taxation and Finance.

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 judgement 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 28.06.2007, 28.07.2007, 27.10.2007 and 30.01.2008.

Composition of the Audit Committee as on 31st March, 2008 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 S R Rajasekaran, 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.

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 Exchanges.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review, was 53. Outstanding complaints as on 31st March 2008 were 'Nil'.

4. GENERAL MEETINGS

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

15 th AGM	27 th August 2007	9.30 a.m.	Registered Office premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302
14 th AGM	28 th September 2006	4.00 p.m.	- do -
13 th AGM	15 th September 2005	10.30 a.m.	- do -
EGM	28 th 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.

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 website.

The Management Discussion and Analysis Report forms part of this Annual Report.

7. REMUNERATION TO DIRECTORS

For the financial year ended 31st March 2008, 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	15,00,000	-	15,00,000
Shri B Srinani, Managing Director	15,00,000	-	15,00,000
Shri A Velusamy, Director	5,34,000	55,536	5,89,536
Shri S Muthuswamy Director & Company Secretary	6,57,419	57,588	7,15,007