

KPR

MILL LIMITED

growing stronger
despite all odds..

7th annual report 2009 - 10

HIGHLIGHTS

2009-10

Total Revenue : Rs. 83,709 Lakhs

PBDIT: Rs. 16,717 Lakhs

PBT: Rs. 6,934 Lakhs

PAT: Rs. 5,043 Lakhs

Cash Profit: Rs. 12,093 Lakhs

Assets: Rs. 1,18,051 Lakhs

Net worth: Rs. 53,618 Lakhs

EPS: Rs. 13.38

Cash EPS: Rs. 32.09

KPR's journey into textiles began in the year 1984. In 1989, the group ventured into garment exports. Today KPR is a leading garment exporter as well as a largest vertically integrated apparel company, engaged in manufacturing and marketing readymade knitted garments, Knitted fabrics and cotton yarn. KPR Mill has a cumulative capacity of 2,12,064 spindles to produce 54,000 MT of yar per annum; 201 circular knitting machines to produce 21,000 MT of fabrics per annum; garmenting facility to produce 63 million pieces of ready-made knitted apparel per annum (operating double shift) and 'State of the Art' processing facility to process 23 MT per day; 40 Wind mills with total power generation capacity of 40 MW.





Directors' Report	1
Corporate Governance	7
Auditors' Certificate on Corporate Governance	13
Management Discussion and Analysis	14
Auditors' Report	18
Balance Sheet	21
Profit & Loss Account	22
Cash Flow Statement	23
Schedules	24
Accounting Policies & Notes on A/cs	31
Balance Sheet Abstract	40
Auditors' Report on Consolidated A/cs	41
Consolidated Balance Sheet	42
Consolidated Profit & Loss Account	43
Consolidated Cash Flow Statement	44
Schedules for Consolidated Accounts	45
Accounting Policies & Notes on Consolidated A/cs	52
Statement U/S 212 of Companies Act	59

Chairman's Letter

Dear Shareholders,

The Seventh Annual Report in your Hands clearly manifest the Unique Strength and Strategies of the Company.

We can look back at the Company's performance in 2009-10 with a sense of satisfaction and achievement, having well proven we have the necessary experience and dynamic strategy to achieve sustainable growth amidst a reviving macro environment.

Fiscal 2010 saw the Indian economy witnessing broad-based recovery with increase in investment, production, employment and exports. India ended financial year 2010 with higher-than-anticipated 7.4% GDP growth, largely led by strong growth of 10.8% in the manufacturing sector. The textile Industry also entered revival mode in the latter half of financial year. Domestic demand revived strongly owing to the stimulus measures initiated by the Indian government which brought economic growth and improvement in liquidity. Exports have also turned positive.

We are pleased to report that your Company continued its growth momentum with strong traction in revenues and profitability during 2009-10. Consolidated revenues for fiscal 2010 witnessed a growth of 11.5% year-on-year to reach Rs 837 Crores, driven by improved performance across all key product segments. The Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the year increased by 49.1% to Rs 167 Crores (20%) from Rs.112 Crores (15%) of previous year. During the same period, our Net Profit increased to Rs 50.43 Crores from Rs.10.10 Crores of previous year. The sharp improvement in profitability resulted from an improved product mix and increase in capacity utilization during the year.

Our continued focus on premium products, expansion in export markets and internal efficiency enhancements collectively ensured robust performance for your Company during fiscal 2010. Large and high value export orders during fiscal 2010, led to increase in contribution of exports to 29.2% of revenues from 25.1% in the previous fiscal. Exports grew 30% to reach Rs 234 Crores from Rs.180 Crores in the previous year.

In order to capitalize on improving market scenario, we focused our efforts on optimizing the product mix and enhancing production efficiencies. While the revenue contribution from yarn remained over 50%, that from garment and fabric segment increased to 28.5% and 14.2%, respectively in fiscal 2010, from 24.4% and 12.6% in the previous fiscal. During the year, the Company has promoted Quantum KNITS PVT. LIMITED, a wholly owned subsidiary, to focus on high end garment market and high value customers. The separate identity is expected to create strategic and administrative advantages over the long run.

Your Company continues to focus on its various internal power saving initiatives and line balancing operations to ensure optimum utilization of resources. This, coupled with improved power availability in the state of Tamil Nadu, led to increase in overall capacity utilization to 80% in fiscal 2010 from 67% in previous fiscal.

With current operations headed towards optimum capacity utilizations, your company is now ready for new avenues. In line with our strategy to focus on premium products for sustained growth and returns enhancement, the Company initiated expansion of compact yarn manufacturing facility. We plan to add over 100,000 spindles to meet the growing demand of compact yarn in both international and domestic markets. Our new project is expected to be completed by the end of April 2011 in a phased manner. Besides, a Modernisation and Expansion of spindlage at Sathyamangalam Mill is also planned. These would help us achieve improved productivity and higher margins in the yarn segment from fiscal 2012.

We have always been committed to growing responsibly with minimization of waste, efficient consumption of energy and fresh water. As a further step towards our Green Initiatives, the Company is augmenting its captive wind energy generation capacity by 24 MW to add to our existing 40 MW. The project is expected to be completed by the end of November 2010 in a phased manner and will support our expansion program.

We also share with you yet another pride of being awarded by TUV – SIMA, a Five Star Category indicating 'Excellence' in Code of Discipline for providing Women Employment.

Bolstered by our confidence in our strengths and capabilities, we are sure of the capacity expansion working well. The economic recovery is gaining momentum. The substantial rebound in trade and growth in Asia is accelerating the recovery process in developed economies as well. I believe that the improving industry outlook, coupled with our inbuilt competitive advantages and well defined future strategies, would help us accelerate sustainable growth in coming years.

TÜV Rheinland STAR[®] Rating

For
SIMA - Code of Discipline for Women Employment
@
KPR MILL LIMITED
S.F. 525, Neelambur (Po)
Coimbatore - 641 014, Tamilnadu, India.

Recruitment, Selection and Training *****

- Recruitment
- Documentation
- Selection Process
- Induction and Training

Amenities and Food *****

- Hostel & Amenities
- Food
- Washing and Cleaning
- Disposal and Drainage

Legal Compliance *****

- Working Hours
- Remuneration
- Health and safety
- Rest Rooms
- Canteen
- Holidays

Welfare and General *****

- Welfare
- Environment
- General

TÜVRheinland STAR[®] Rating

Rating Registration Date:
Rating Expiration Date:
TUV Rheinland Rating ID:

2010.05.25
2012.05.24
7001-2010-05-25-01

[Signature]

TUV Rheinland Rating Body

2010.09.20

Date



TÜVRheinland[®]
Precisely Right.

As curtains draw on fiscal 2010, we would like to thank all our stakeholders for their consistent support and trust. We believe we are heading towards the path of sustained growth and look forward to your continued support in achieving our goal.

With best wishes
K.P. Ramasamy
Chairman



Board of Directors



K.P. Ramasamy
Chairman



K P D Sigamani
Managing Director



P. Nataraj
Managing Director



Shujaat Khan
Director



K.N.V. Ramani
Director





M.J. Vijayaraaghavan
Director



G.P. Muniappan
Director



Dr. K. Sabapathy
Director



A. M. Palanisamy
Director



A. Sekar
Whole Time Director

.....

REGISTERED OFFICE

No. 9, Gokul Buildings, 1st Floor
A.K.S. Nagar, Thadagam Road
Coimbatore - 641 001.

CORPORATE OFFICE

270 J, Periyar Colony
Annupparpalayam
Tirupur - 641 652

J.S.KUMAR

Vice President (Finance)

P. KANDASWAMY

Company Secretary

BANKERS

Bank of Baroda
Bank of India
Corporation Bank
IDBI Bank Limited
Oriental Bank of Commerce
State Bank of India
State Bank of Mysore
State Bank of Travancore
The Karnataka bank Limited
United Bank of India

Internal Auditors

Mr. A. Vetrivel B.Sc., F.C.A.,
Chartered Accountant
1/1 Seth Narayan Das Layout
2nd Street
Tatabad
Coimbatore - 641 012

Statutory Auditors

M/s. DELOITTE HASKINS & SELLS
Chartered Accountants
41, Shanmuga Manram
Race Course
Coimbatore - 641 018

Registrar and Share Transfer Agents

Karvy Computershare Private Limited
Unit : KPR MILL LIMITED
17-24 Vittal Rao Nagar
Madhapur
Hyderabad - 500 081

.....

Directors Report

Dear Shareholders,

Your Directors have pleasure in presenting the Seventh Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2010:

CONSOLIDATED FINANCIAL RESULTS

(Rs. in Lakhs)

Particulars	2009-10	2008-09
Sales and Other Income		
Domestic Sales	56,903.84	53,809.02
Export Sales	23,417.07	18,008.73
Other Income	3,388.27	3,208.73
	83,709.18	75,026.48
Profit before Interest & Depreciation	16,717.41	11,262.33
Less : Interest	2,733.25	3,836.89
Depreciation	7,049.73	5,595.44
Profit Before Tax	6,934.43	1,830.00
Less : Taxation		
Provision for Current Tax (MAT)	1,185.05	207.34
Less : MAT Credit Entitlement	676.85	2.42
	508.20	204.92
Provision for Deferred Tax Liability	1,382.72	588.56
Provision for Fringe Benefit Tax	-	26.18
Profit After Tax	5,043.51	1,010.34
Add: Balance in Profit & Loss Account	17,642.25	17,589.43
Amount available for Appropriation	22,685.76	18,599.77
Appropriation		
Transfer to General Reserve	504.35	75.78
Interim Dividend	1,507.32	-
Tax on Interim Dividend	250.35	-
Proposed Dividend	565.24	753.66
Tax on Proposed Dividend	93.88	128.08
Surplus Transferred to Balance Sheet	19,764.62	17,642.25
	22,685.76	18,599.77

REVIEW OF OPERATIONS

The Fiscal 2010 was an Year challenged by severe power cut resulting in reduced capacity utilisation, Price spiral in cotton, difficult Global Economy, rise in Labour Cost in line with a jump in legal Minimum wages etc. However your Company on a Consolidated basis, with its unique strengths and strategies achieved an impressive Total Revenue of Rs. 837 Crores, 11.6% over last year's Rs. 750 Crores and a significant growth in profitability with EBIDTA for the current year Rs. 167 Crores from Rs. 112 Crores in previous year, an increase of 49%. Net profit increased to Rs. 50 Crores in current year from Rs. 10 Crores in the previous year due to improved product mix and overall increase in capacity utilization to 80% as against 67% in FY'09. The utilisation levels increased with improved power availability in the State, coupled with internal power saving initiatives and third party power purchase.

DIVIDEND

In view of appreciable growth in profitability, the Board of Directors in its meeting held on 16.04.2010 have declared an Interim Dividend of Rs. 4/- per share on the Equity Capital of the Company absorbing a sum of Rs. 17.57 Crores, including Tax on Dividend. Enthused by the sustained Textile Market trend your Directors are glad to

recommend a Final Dividend of Rs. 1.50/- per Equity Share with a cash outflow of Rs. 6.59 Crores (including Tax on Dividend) that may result in a Total Dividend of Rs. 5.50 per share (55%) for the financial year 2009-10. During last year, the Dividend declared was Rs. 2/- per share (20%) with a cash outflow of Rs. 8.82 Crores (including Tax on Dividend).

EXPANSION AND MODERNIZATION

COMPACT SPINNING

In line with its endeavour to continuously enhance the overall profitability and shareholder's returns, your Company planned to expand in high margin, high value-add compact yarn segment. With its unique features of low hairiness levels and improved strength, compact yarn's demand in the market has gone up with high end product manufacturers manufacturing premium cotton/knitwear products. In order to meet this growing demand of compact yarn in both international and domestic markets, your Company has started expansion into 100% compact yarn manufacturing space with plans to add 1,03,680 spindles at a total estimated cost of Rs. 310 Crores. The capacity addition would take place adjacent to the existing plant of Karumathampatti in order to achieve cost and location benefits. The expansion is expected to be completed by the end of April 2011 in a phased manner. The compact yarn would help your Company to achieve higher productivity and better realisation with reduction in wastage.

With your approval in the Extra-Ordinary General Meeting held on 30.03.2010, the utilisation of balance IPO proceeds amounting to Rs. 71.03 Crores was revised so as to venture into the expansion of "Compact Spinning capacity" instead of further expansion of garment and processing facilities. Financial closure for the balance fund requirement towards the project has also been completed and the expansion program is in progress.

Your Company adopts a strategic approach of tying up its expansion proposal with captive wind energy generation to meet its power requirements. The above expansion too would be supported by simultaneous investment in installation of incremental capacity of 24MW wind mills at an estimated cost of Rs. 128 Crores. The windmill expansion is expected to be completed by the end of November 2010 in a phased manner.

Directors Report

SATHYAMANGALAM MILL

To achieve greater productivity, increased efficiency, improved quality and to meet the growing demand for yarn both at Domestic and International Markets, it has been decided to modernize the existing 30,240 Spindleage at our maiden Spinning Unit at Sathyamangalam. The existing Ring frames are replaced with new Ring Frames that yield better productivity.

It is also proposed to expand the spindleage capacity by adding 17,952 spindles of recently launched LR9/AX 1632 spindles with cutting edge technologies that ensures best quality. The plan for expansion at the existing unit will reduce the per spindle cost considerably with minimal cost towards civil construction, infrastructures, managerial personnel etc.

The Total Outlay of the aforesaid Project is around Rs. 30.45 Crores, after netting off the sale of old asset for which also the financial closure with Bank has been established.

UTILISATION OF IPO PROCEEDS				(Rs. in Lakhs)
Sl. No.	Expenditure Items	As per Prospectus	Utilised upto 30th March 2010	Balance to be Utilised towards Compact Spinning Expansion vide EGM Approval Dated 30th March 2010
1	Expansion of the Apparel facility at Arasur	1,059.10	661.82	397.28
2	Setting up a Design Studio at Arasur	56.00	19.00	37.00
3	Construction of an additional hostel facility at Arasur	712.80	250.00	462.80
4	Expansion of the Processing facility at SIPCOT, Perundurai	3,970.20	-	3,970.20
5	Investment in knitting facility at Arasur	2,595.80	1,483.35	1,112.45
6	Addition of Balancing Equipments for our spinning facilities	1,381.20	266.46	1,114.74
7	General Corporate purposes-Normal Capex	2,415.60	2,300.22	115.38
8	Issue Expenses	1,111.53	1,218.65	-
	Total	13,302.23	6,199.50	7,102.73

	(Rs. in Lakhs)
Fund allocated for Compact Spinning expansion	7,102.73
Expenses incurred upto 10.06.2010 towards Compact Spinning	1,005.16
Balance amount to be utilized towards Compact Spinning Project	6,097.57

FUTURE OUTLOOK

Your Company has a well planned strategy for sustained growth with focus on premium products to accelerate its revenues and margins. Your Company expects to continue strong performance in FY'11 also by further improving capacity utilization across all key divisions. The utilization for yarn is expected to increase from 80% in FY'10 to 90% in FY'11, for garments from 65% to 70% and for processing from 55% to 65%. This coupled with good recovery in demand globally would set the stage for strong performance for your Company in coming years.

The appreciation of Rupee remains a challenge for the Indian Exporters lowering their edge over other textile nations whose currencies have not appreciated to the same extent against US dollar. Besides, the rise in input costs in line with the global trends, the Government's policies on export of cotton & cotton yarn are also causes of concern to the Textile Industry. However our key strengths viz, Economized Labour cost through well motivated Labour force with Social empowerment, Lower Power cost through Green Energy and Strong fundamentals with consistent Growth embolden us to march ahead of all odds.

After implementing the projects envisaged, depending on the Market requirements, your Company may also scale up the capacities at process and garmenting divisions. The current capacities have been designed in a way to allow brownfield expansions at existing sites at an investment much lower than that for a Greenfield. We intend to double these capacities with minimal capex once the present facilities reach their optimum utilization levels, which currently hovers around 55% - 65%.

FIXED DEPOSITS

The Company has not accepted any fixed deposits from public during the year under review.

FINANCE

Your Company has been regular in meeting its obligation towards payment of Principal / Interest to Banks.

DIRECTORS

Mr. A.M. Palanisamy B.Com., F.C.A. was appointed as a Director in the Board Meeting held on February 22, 2010, in the place of casual vacancy caused by the resignation of Mr. M. Ramji and he holds office upto the date of the 8th Annual General Meeting.

Mr. G.P. Muniappan and Mr. K.N.V. Ramani retire from the Board on rotation and are eligible for re-appointment at the forthcoming Annual General Meeting. The Notice convening the Annual General Meeting includes the proposals for re-appointment of Directors and their particulars as required by the Listing Agreement.

SUBSIDIARY COMPANY

During the year under review your Company has promoted a wholly owned subsidiary in the name of Quantum Knits Private Limited with whom the Operations and Management of Garment Division at Arasur has been entrusted. The statement pursuant to Section 212 of the Companies Act, 1956, containing details of subsidiary of the Company, forms part of this Annual Report.

In view of the exemption received from Central Government vide letter no. 47/449/2010-CL-III dated 18.05.2010, the Audited Statement of Accounts, the reports of the Board of Directors and Auditors of the Subsidiary Companies are not annexed as required under Section 212(8) of the Companies Act, 1956. Shareholders who wish to have a copy of the full report and accounts of the subsidiaries will be provided the same on receipt of a written request from them. These documents will be put up on the Company's Website viz. www.kprmilllimited.com and will also be available for inspection by any Shareholder at the Registered Office of the Company on any working day during business hours.

CONSOLIDATED FINANCIAL STATEMENTS

Your Directors have pleasure in attaching the Consolidated Financial Statements pursuant to Clause 32 of the Listing Agreement entered into with the Stock Exchanges and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, in this regard.

AUDIT COMMITTEE

The Audit Committee of the Company comprises of 4 Directors viz.,

- 1) Sri. M.J. Vijayaraaghavan - Independent and Non - Executive Director (Chairman)
- 2) Dr. K. Sabapathy - Independent and Non - Executive Director
- 3) Sri. G.P. Muniappan* - Independent and Non - Executive Director
- 4) Sri. P. Nataraj - Non - Independent and Executive Director

* Appointed as a Member w.e.f. 07.10.2009

AUDITORS REPORT

The Auditor's Report to the Shareholders does not contain any qualification.

PARTICULARS OF EMPLOYEES

The information required under Section 217 (2A) of the Companies Act 1956 and the Rules made thereunder, is provided in an Annexure forming part of this Report. In terms of Section 219 (1) (b)(iv) of the Companies Act 1956, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any Shareholder interested in obtaining a copy of the same may write to the Company Secretary.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under section 217(1)(e) of the Companies Act 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are provided in the Annexure to the Report.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that;

- i In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii The Directors have selected 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 of the Company for the year under review.
- iii The Directors have taken proper and sufficient care for the maintenance of adequate record in accordance with the provisions of the Companies Act, 1956, for safeguard the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv The Directors have arranged preparation of the accounts for the financial year ended March 31, 2010 on a going concern basis.