



growing with values

11th annual report 2013-14

HIGHLIGHTS 2013-14

(` in Lakhs)

Total Revenue **2,40,206**

PBDIT **45,327**

PBT **19,207**

PAT **14,168**

Cash Profit **29,838**

Assets **2,16,446**

Net worth **81,454**

EPS **37.27**

Cash EPS **79.18**

KPR group embarked on its textile journey in 1984 and then ventured in garment exports in 1989. Today KPR besides being India's leading garment exporter, it is one of the largest vertically integrated textile companies engaged in manufacturing and marketing of readymade knitted garments, knitted fabrics and cotton yarn.

KPR Group has built and continues to build sufficient capacities and capabilities to capture the incremental demand that India's textile companies will see in the next 3-5 years. Company has a cumulative capacity of 3,53,088 spindles to produce 90,000 MT of yarn per annum; Knitting facility to produce 21,000 MT of fabrics per annum; Garmenting facility to produce 63 million pieces of ready-made knitted apparel per annum (double shift) and 'State of the Art' Processing facility to process 9,000 MT fabrics per annum; 66 Wind mills with total power generation capacity of 61.92 MW. We have established a Co-gen Cum Sugar manufacturing unit with a capacity of 30 MW and 5,000 TCD respectively through our wholly owned Subsidiary Company.

KRR group is thus 'textile ready' to capitalise on the glory Indian Textile sector will witness in the next Decade.



Directors' Report	1
Corporate Governance	6
Auditors' Certificate on Corporate Governance	12
Management Discussion and Analysis	13
Auditors' Report	16
Balance Sheet	20
Statement of Profit & Loss	21
Cash Flow Statement	22
Accounting Policies & Notes	24
Auditors' Report on Consolidated Accounts	43
Consolidated Balance Sheet	44
Consolidated Statement of Profit & Loss	45
Consolidated Cash Flow Statement	46
Accounting Policies & Notes on Consolidated Accounts	48





CHAIRMAN'S LETTER

Dear Shareholders,

It is with immense pleasure that I present before you, the 11th Annual Report of K.P.R. Mill Limited and share with you performance highlights of the Company in financial year 2013-14 and its plans for the coming years.

This year has witnessed performance par excellence, with total consolidated revenue of ` 2,402 Crores and net profit for the year at ` 141 Crores. All segments have performed well, in volume terms as well as realization terms. Exports contribute roughly 30% of our turnover.

Our Sugar business, which became operational in last financial year, saw its first full year of operations. This business generated healthy revenue and operating margins. Our strategy to build a Co-Gen cum Sugar plant, helped us tide over power shortages. With 62 MW of wind generation & 30 MW of co-gen power generation, we have in-house capabilities to generate green power for our power needs throughout the year. It is gratifying that amidst the peril of global warming we are able to contribute to the National Social cause by sourcing our entire power needs in Green mode.



As we all know, financial year 2014 witnessed events that gave a huge impetus to the Textile Industry in India, particularly the garment segment.

Turnaround in Europe & U.S, increase in Cost of Production and Compliance issues in various competing Countries enabled India a preferred destination for Garments.

Apparel Export Promotion Council data released recently, indicated that India has overtaken Germany and Italy, to claim 2nd rank in world textile exports. With India garment export at USD 15 billion in FY14, Clothing Manufacturers' Association of India (CMAI) expects exports of garments from India is likely to cross US\$ 17 billion mark in FY 2014-15.

To capitalize on these opportunities in garment business, the company has initiated expansion program in garment segment. This expansion will be carried out in two phases and will enhance our capacity by more than 50%.

Your Company continues to focus on quality combined with improved productivity. We continue to strengthen our proposition to our customers, offering them advantages of economies of scale, consistently high quality products at competitive pricing.

I take pride in announcing that making best use of our Higher Education Drive extended by way of adding strengths and value to the employees, many of them proved their outstanding abilities scoring higher marks in the Exams like 10th Standard, 12th Standard, UG and PG, conducted recently.

Good Corporate Governance has always been a cornerstone in the Company and continues to be so as we move ahead into the future.

In FY15, we are confident that as one of the largest vertically integrated textile companies in the country, we will continue to expand our footprint across the global market, achieve better efficiencies and deliver superior value to all our stakeholders.

I am grateful to the Board of Directors for their unwavering support and guidance. I would also like to thank all our stakeholders, who have reposed trust on us and extended their constant support.

I would like to take this opportunity to thank the entire management team for their energy and tireless work throughout the year. Going ahead, we have to work with the same zeal to expand and scale new heights.

With best wishes

K.P. Ramasamy
Chairman



Board of Directors



K.P. RAMASAMY
Chairman



KPD SIGAMANI
Managing Director



P. NATARAJ
Managing Director



C.R. ANANDAKRISHNAN
Executive 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



C. THIRUMURTHY
Director



REGISTERED OFFICE

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

CORPORATE OFFICE

1st Floor, Srivari Shrimat,
1045, Avinashi Road,
Coimbatore – 641 018.

CHIEF FINANCIAL OFFICER

PL Murugappan

COMPANY SECRETARY

P. Kandaswamy

BANKERS

Bank of Baroda
Bank of India
Corporation Bank
IDBI Bank Limited
Oriental Bank of Commerce
Andhra Bank
State Bank of Mysore
ICICI Bank
The Karnataka Bank Limited
United Bank of India

STATUTORY AUDITORS

M/s. Deloitte Haskins & Sells,
Chartered Accountants,
41, Shanmuga Manram,
Race Course,
Coimbatore – 641 018.

INTERNAL AUDITORS

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

**REGISTRAR AND
SHARE TRANSFER AGENTS**

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

COMPANY CIN

L17111TZ2003PLC010518



Dear Shareholders,

We are delighted to present the report on our business and operations for the year ended 31st March, 2014.

(` in Lakhs)

FINANCIAL RESULTS	STANDALONE		CONSOLIDATED	
Particulars	2013-14	2012-13	2013-14	2012-13
Sales and Other Income				
Domestic Sales (Net of Excise Duty)	1,50,300	1,18,936	1,65,208	1,19,225
Export Sales	42,851	27,157	65,844	43,368
Other Income	5,800	3,836	9,154	4,447
	1,98,951	1,49,929	2,40,206	1,67,040
Profit before Interest & Depreciation	38,184	36,312	45,327	39,303
Less : Interest	7,234	8,008	10,450	9,803
Depreciation	12,982	14,181	15,670	15,093
Profit Before Tax	17,968	14,123	19,207	14,407
Less : Taxation				
Provision for Current Tax	5,034	2,798	5,313	2,877
Tax relating to earlier years	94	-	87	(11)
Less : MAT Credit Entitlement	-	244	135	262
	5,128	2,554	5,265	2,604
Provision for Deferred Tax Liability	(216)	1,493	(226)	1,502
Profit After Tax	13,056	10,076	14,168	10,301

REVIEW OF OPERATIONS

Growth Momentum continued. Entire segments of Textile Chain progressed well elevating the topline and bottom-line to another milestone. Export targets crossed significantly. However, but for the considerable drop in wind power generation due to evacuation issue vis-a-vis its impact on power cost, the margin would have been much better. Though Textile industry has been subjected to varying degrees of power cuts throughout the year, availing of power from our Co-gen plant has been a 'blessing in disguise' for KPR, more particularly, during peak hour power restrictions. In fact, the strategic investment enables green power availability throughout the year. At Labour front, despite general labour shortage at industry level, our trend setting labour friendly practices minimises its impact on us.

Strong fundamentals co-hered with key strengths and stimulated market conditions upsurged Profitability. Your

Company generated a Cash Profit of ` 260 Crore and Cash EPS of ` 69 as against ` 243 Crore and ` 64 in the previous year.

DIVIDEND

In its Meeting held on 25.10. 2013 Your Board of Directors had declared an interim dividend of 40% on the Equity Shares of the Company. The Board has recommended a final dividend of 30% on Equity Shares, subject to the approval of the Members at the ensuing 11th Annual General Meeting.

EXPANSION

Emergence of India as the Second Largest Textile Exporter in 2013 has geared up the Indian Textile Players to widen their production base. In order to meet the spurt in Garment Export orders, KPR has initiated expansion plans in its Garment Sector. Besides expanding Capacity of its existing Garment facility it adds up another new Garment facility near Tirupur - the Asia's Largest Knitwear Cluster.

Directors' Report

i. Capacity Addition of 10 million Pieces at existing Garment Facility

This shall raise the present capacity of 30 Million pieces to 40 million pieces per annum (single shift). Since major infrastructures are already in place, its operation is expected during the First quarter of FY 2014-15. It would result in creation of direct employment for about 1000 People.

ii. Creation of a New Garment Facility with 12 Million Pieces Capacity

At Thekkalur, near Tirupur, the Asia's Largest Knitwear Cluster, a New Unit with 12 Million Pieces capacity is being set up. Land has been acquired and construction work is commenced. It is expected to become operational during the Fourth quarter of FY 2014-15. It would result in creation of direct employment for about 1200 People.

These capacity additions are expected to enhance the overall Garment operations of KPR by over 50% in two years.

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

In pursuance of Section 149 and other applicable provisions of the Companies Act 2013 & Clause 49 of the Listing Agreement, Independent Directors have to be appointed for a Term. Our Independent Directors were appointed as Directors liable to retire by rotation under the provisions of erstwhile Companies Act 1956. Among the Independent Directors, Dr.K.Sabapathy, Sri.G.P.Muniappan retire at the ensuing Annual General Meeting and re-appointed as Independent Directors of the Company for a period of Five years. In compliance with the said Act, the remaining Independent Directors viz. Sri.M.J.Vijayaaraghavan, Sri.K.N.V.Ramani, Sri.A.M.Palanisamy and Sri.C.Thirumurthy are also re-appointed as Independent Directors for a period of Five years. Sri.Shujaat Khan, Non-Executive Non-Independent Director retire by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

The details of the aforesaid Directors, required to be disclosed under clause 49 of the Listing Agreement, form part of the Notice of the ensuing Annual General Meeting. All the Directors of the Company have confirmed that they are not disqualified from being appointed as Directors in terms of Section 164(2) of the Companies Act, 2013. Your directors recommend their appointment / re-appointment.

SUBSIDIARY COMPANIES

The Company has following four Subsidiary Companies with 100% Beneficial Interest and the Statements pursuant to Section 212 of the Companies Act, 1956 containing details of Subsidiaries forms part of this Annual Report.

1. Quantum Knits Private Limited
2. K.P.R. Sugar Mill Limited
3. Jahnvi Motor Private Limited
4. Galaxy Knits Limited

QUANTUM KNITS PRIVATE LIMITED

The Company made a Turnover of ` 271.46 Crore and a Net Profit of ` 1.93 Crore.

K.P.R. SUGAR MILL LIMITED

In the first full year of operations crushing started during the mid Nov 2013 and is progressing well. Produced 10.80 Crore Units of power, out of which 7.82 Crore units sold and 2.46 Crore units captively consumed. 69,462 Metric Ton of sugar was produced. With the Turnover of ` 331.09 Crore it made a Net profit of ` 6.58 Crore. Though sugar prices were on the declining trend during the year, it has started moving forward now. The expectation of normal monsoon and government measures of providing soft loans as well as export subsidy augur well for the Industry.

JAHNVI MOTOR PRIVATE LIMITED

During the year, the Company was awarded 'Best Dealer of the year 2013' in respect of Sales, Service and Customer satisfaction. It made a Turnover of ` 100 Crore and is optimistic of enhancing its presence further.

GALAXY KNITS LIMITED

The Company has not yet commenced its operation.

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.

The consolidated Financials also marked a significant increase in its Revenue as well as Profitability.

EMPLOYEE WELFARE

Besides various commendable welfare measures extended to the employees who are considered as valuable assets of the company, one of the pride measures is extension of the higher education to them. So far around 10000 employees have completed their higher education. On an average 2000 employees per year opts for the facility. With pride, we wish to announce that in the recent academic year, considerable

employees have excelled in the public examination by scoring higher marks proving that the education facility offered by us has been fully and effectively utilized for raising the standard of their life vis-à-vis the Society as a whole.

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 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 safeguarding 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, 2014 on a going concern basis.

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

Corporate Governance Report and Management Discussion and Analysis Statement are attached to this Report.

AUDITORS

M/s.Deloitte Haskins & Sells, Chartered Accountants, Coimbatore, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for Re-appointment.

AUDITORS REPORT

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

ACKNOWLEDGEMENT

Your Directors acknowledge with gratitude and express their appreciation for the assistances and co-operation received from the Bankers, Government Authorities, Customers, Vendors, Private Equity Investors and Members during the year under review. Your Directors also wish to thank the employees at all levels for their co-operation and dedication.

By order of the Board of Directors

Coimbatore
22.05.2014

K.P. Ramasamy
Chairman