



sustained growth

12th annual report 2014-15

HIGHLIGHTS 2014-15

(₹ in Lakhs)

Total Revenue 2,58,979

PBDIT 46,134

PBT 22,338

PAT 17,357

Cash Profit 32,759

Assets 2,23,174

Net worth 94,521

EPS ₹ 45.73

Cash EPS ₹ 86.60

From a modest entry in 1984, the gradual, steady and consistent growth has elevated KPR as a ₹ 2,100 Crore Asset based group. Besides being India's leading garment exporter, KPR is one of the largest vertically integrated textile players manufacturing & marketing readymade knitted garments, knitted fabrics and cotton yarn.

KPR has Ten 'State-of-the-Art' production facilities in the state of Tamil Nadu, India.

It has a cumulative capacity of 3,53,568 spindles to produce 90,000 MT of yarn per annum; Knitting facility to produce 27,000 MT of fabrics per annum; a largest Garmenting facility in India to produce 59 million pieces of ready-made knitted apparel per annum with further expansion plans; Industry acclaimed Fabric Processing unit with a capacity of 9,000 MT per annum; 66 Wind mills with total power generation capacity of 61.92 MW. KPR also has a Co-gen Cum Sugar Plant with a capacity of 30 MW and 5,000 TCD in its wholly owned Subsidiary Company.

With strong fundamentals and unique key strengths KPR is marching towards achieving further milestones in the years to come.



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CHAIRMAN'S LETTER

Dear Shareholders,

I am delighted to report yet another better performance of KPR.

In the Financial Year 2014-15, your Company earned a record Consolidated Revenue of ₹ 2,589 Crores and a Net profit of ₹ 173 Crores. The financial results reflected a strong performance. On the total turnover, exports constitutes 33% and domestic 67%. In a challenging, increasingly cost-sensitive environment, our focus on Garment, the prospective textile segment, has prompted expansion. This strategic move has significantly improved the revenue and we hope that the strong level of performance will sustain.

Cotton cost is the governing factor of the Spinning Industry. While its present stable level of prices is advantageous to the Industry, the power shortage, steep hike in power tariff and evacuation issue at Tamil Nadu have been deterrent to the competitiveness of textile mills in Tamil Nadu. However, KPR with the ardent support of captive green power capacity is able to mitigate its impact considerably. Your Company's continued success is due to the dedication, commitment and performance of our workforce, which remains its biggest asset; we continue to invest in their development.

We are glad to inform that in respect of Garment capacity expansion, the Brown Field project and Green Field Project have been successfully completed as envisaged. The Company is planning for a new Green Field expansion with a capacity of 36 Million Garments per annum in the current



year. The unstinted support from the existing buyers and encouraging stimulus from new markets are driving the expansion effort. This shall lead to making KPR as one of the largest Garment Producer in the Country. Though Sugar Industry is under tremendous pressure with matchless cost of Production vis-à-vis sugar price and dismal margin, we are able to breakeven. In Audi Car Dealership, we continue to be the market leader at this territory and widening its sales network at Madurai, Tamil Nadu.

This year, considering strong performance, our dividend payout is ₹ 9 per share including ₹ 5 proposed as final dividend. The earnings per share of the Company increased to ₹46 from ₹ 37 last year.

Being a responsible Corporate, we remain focused in creation of healthy and progressive society. Our key focus areas for helping the community lie in education-including vocational education, leading to sustainable livelihood, especially that of women, by empowering them to stand on their own with the financial strength besides equipping them with the skill that was once claimed to be that of manhood alone. Your Company continues its environment friendly measures including planting trees, substitution of conventional fuel with bio-gas in factories, recycling of waste water apart from generation of substantial green energy, to create a better environment.

KPR is a unique Company because of its strong fundamentals and impeccable Labour force which allows us to take a long-term view and strategy to grow further. Your Company has been recognized by industry, customers and media for excellence along many dimensions including overall

financial performance, human resources, sustainability, investor relations, infrastructure, communications and governance.

We are glad to note that the Business Magazines have ranked K.P.R. Mill Limited:

- ⚙ 15th largest Textile & Garment Company in India.
- ⚙ 285th place out of Top 500 Companies in Profitability
- ⚙ 332nd place out of Top 500 biggest Companies in India.

I want to thank each shareholder for their support and commitment to the Company that has helped to place KPR among the valuable Companies in India. I look forward to your continued support as your Company embarks on the next phase of its growth journey. I am grateful to the Board of Directors for their unwavering support and guidance. I would also like to take this opportunity to thank the entire management team for their energy and tireless work throughout the year.

Leveraged raw material, strengthened and sustained better compliance practices continue to attract the Buyers and International Brands to source from India. Despite the challenges faced by the Spinning Industry, with the uptrend in demand for the Garment Segment, the Industry is expected to achieve the earmarked target in the current year.

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



Dr. K. SABAPATHY
Director



K.N.V. RAMANI
Director



M.J. VIJAYARAAGHAVAN
Director



G.P. MUNIAPPAN
Director



A.M. PALANISAMY
Director



C. THIRUMURTHY
Director



Dr. S. RANGANAYAKI
Director



P. SELVAKUMAR
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 & COMPLIANCE OFFICER

P. Kandaswamy

BANKERS

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

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,
Karvy Selenium, Tower B, Plot 31-32,
Gachibowli,
Financial District, Nanakramguda,
Hyderabad – 500 032.
Phone: 040 6716 2222
Fax: 040 2300 1153
Toll Free No: 1800 345 4001
E-mail: einward.ris@karvy.com

COMPANY CIN

L17111TZ2003PLC010518



Dear Shareholders,

We take pleasure in presenting the Report on our Business and Operations for the year ended 31st March 2015.

FINANCIAL RESULTS

(₹ in Lakhs)

PARTICULARS	STANDALONE		CONSOLIDATED	
	2014-15	2013-14	2014-15	2013-14
Sales and Other Income				
Domestic Sales (Net of Excise Duty)	1,54,752	1,50,300	1,68,413	1,65,208
Export Sales	48,803	42,851	80,432	65,844
Other Income	6,682	5,800	10,134	9,154
	2,10,237	1,98,951	2,58,979	2,40,206
Profit before Interest & Depreciation	37,843	38,184	46,134	45,327
Less : Interest	6,450	7,234	8,394	10,450
Depreciation	12,587	12,982	15,402	15,670
Profit Before Tax	18,806	17,968	22,338	19,207
Less : Taxation				
Provision for Current Tax	5,546	5,034	6,573	5,313
Tax relating to earlier years	(82)	94	(95)	87
Less : MAT Credit Entitlement	1,281	-	1,522	135
	4,183	5,128	4,956	5,265
Provision for Deferred Tax Liability	25	(216)	25	(226)
Profit After Tax	14,598	13,056	17,357	14,168

REVIEW OF OPERATIONS

Indian Textile Industry, one of the key drivers of Indian Economy, is passing through a positive phase. Our expanded Garment capacity has joined the mainstream. During the year, production levels at all segments of textiles have gone up. However, the steep decline in Cotton prices has impacted the yarn realisation by around 10% over previous year. The up-trend in demand at the Garment Segment entailed the Company to achieve the reported Turnover, despite the challenges faced by the Spinning Segment. Evacuation issue at Power front in the State still continues. Cost of Power and Labour has gone up due to increase in Power charges & Minimum Wages by the Government. Comfortable cash flow enabled the Company to lower working capital loan and Finance cost. The Company earned a Cash Profit of ₹ 272 Crores and Cash EPS of ₹ 72 as against ₹ 260 Crores and ₹ 69 in the previous year. The favourable market trend and the enhanced Garment capacity would strengthen the prospects of the Company. Competing countries' higher cost of production would further widen India's stake at International Market.

DIVIDEND

In its Meeting held on 5th February 2015, 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 50% on Equity Shares, subject to the approval of the Members at the ensuing 12th Annual General Meeting.

Your Directors have recommended the payment of Dividend of 7% on Redeemable Cumulative Non-Convertible Preference Shares of ₹ 100 each.

GARMENTS EXPANSION

Driven by consistent demand, the Global Textile & Apparel Trade is growing rapidly. The core competency enabled Indian Textile Industry to emerge as the World's second largest Textile Exporter. The uptrend is expected to remain for a long term. The Garment capacity expansion mooted during last year has been successfully completed as detailed below.

Directors' Report

BROWN FIELD

The Brown field Garment expansion at our Arasur Garment Facility upgrading its capacity by 10 million pieces per annum was completed as scheduled and its Production had commenced from 24th June 2014 onwards.

GREEN FIELD

We are pleased to announce that the Green field Garment expansion at Thekkalur has also been successfully completed as contemplated. It has commenced commercial production from March 2015 onwards. These enhanced our overall Garment Production capacity from 37 Million Pieces to 59 Million Pieces per annum. The increased capacity is fully backed up by firm orders. The Financial Year 2015-16 shall witness its full-fledged operations.

FURTHER EXPANSION

To convert its potential into reality, K.P.R. is planning to add a further large Green field manufacturing facility of 36 Million garments per annum at an estimated cost of ₹ 175 Crores. With this, the total garment capacity will become 95 Million garments per annum, one of the largest in the Country. The project is expected to complete during this financial year. Considering the impelling orders from the existing Buyers and the encouraging response from U.S. market, the Board has considered and accorded its approval to the proposal.

SUBSIDIARY COMPANIES

The Company has the following four Wholly Owned Subsidiary Companies and the Statements pursuant to Section 129 (3) of the Companies Act, 2013 (Hereinafter referred to as the 'Act') in 'Form AOC- 1' containing the details of Subsidiaries forms part of this Annual Report. However as required by the 'Act', we give below a brief report on their performance.

Quantum KNITS PVT. LIMITED

During the year the Company made a Turnover of ₹ 209.26 Crores and a Net Profit of ₹ 13.37 Crores.

K.P.R SUGAR MILL LIMITED

Due to the delay in fixation of cane price by the Government for the Sugar Season 2014-15, the Production had commenced during the month of December 2014 only. Produced 8.83 Crore units of power, out of which 6.13 Crore units sold and 2.70 Crore units captively consumed. 92,285 metric tonnes sugar was produced.

JAHNVI MOTOR PRIVATE LIMITED

During the year the Company sold 265 cars clocking a revenue of ₹ 113.21 Crores. Considering the enlarged demand for 'Audi' vehicles, the Company has extended its network at Madurai in

Tamil Nadu. It continues to maintain the 'No.1' position under category 'B' Dealers. New Models were introduced and market response was good.

GALAXY KNITS LIMITED

The Company has not yet commenced its operation.

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. Comfortable cash scenario enabled lesser Working Capital Loan vis-a-vis Finance Cost.

DIRECTORS

In pursuance of Section 149 and other applicable provisions of the Act & Clause 49 of the Listing Agreement, Independent Directors were appointed for a Term at the last Annual General Meeting. Pursuant to the provisions of the Act and Listing Agreement Dr. S. Ranganayaki, M.B.B.S., has been co-opted as a Woman Independent Director at the Meeting of the Board of Directors of the Company held on 12.03.2015, subject to her appointment at the Annual General Meeting. To regularise her appointment at the ensuing Annual General Meeting suitable Resolution has been included in the Notice of the said meeting.

Familiarisation Program on the Company and its operations was conducted for the Independent Directors. Requisite declaration from the Independent Directors of the Company under Section 149 (7) of the Act confirming that they meet with the criteria of their Independence laid down in Section 149 (6) have been obtained.

Consequent on the cessation of right to appoint a Director in our Board, as per the Agreement, the Private Equity Investors had withdrawn their Nominee Director Sri. Shujaat Khan from our Board with effect from 30.12.2014. The Board wishes to place on record its appreciation for the valuable services rendered by him during the tenure of his Directorship.

Sri. C.R. Anandakrishnan, 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. Your Directors recommend their appointment. 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 Act.

KEY MANAGERIAL PERSONNEL AND MANAGERIAL REMUNERATION CRITERIA

In pursuance of the Act, Key Managerial Personnel (KMP) for the Company were appointed. None of the Managing Directors or Whole Time directors receive any remuneration or commission from the Subsidiary Companies and the remuneration paid to them is within the purview of the provisions of Section 197 of the Act. The Company pays remuneration by way of salary, perquisites, commission (variable component) to its Chairman, Managing Directors and fixed monthly remuneration to its Executive Director and Whole Time Director in line with the approvals accorded by the General Meetings in pursuance of the recommendation of the Nomination and Remuneration Committee as per the guiding principles laid down in the Nomination and Remuneration Policy. The information as required by Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is appended.

ANNUAL PERFORMANCE EVALUATION

In line with the criteria evolved by the Nomination and Remuneration Committee, the performance of all Directors, Committees, Chairman etc., have been evaluated pursuant to the provisions of the Act and the Listing Agreement.

COMMITTEES

As required by the provisions of the Companies Act and Listing Agreement, the Company has already formed the following Committees, the details of which are disclosed in the Report on Corporate Governance forming part of this Report.

- I. Audit Committee
- II. Stake Holders Relationship Committee
- III. Nomination and Remuneration Committee
- IV. Corporate Social Responsibility (CSR) Committee

POLICIES

In pursuance of the Companies Act, 2013 and the Listing Agreement, the following policies have been framed and disclosed on the Company's website 'www.kprmilllimited.com'.

- I. Nomination & Remuneration Policy
- II. Related Party Transaction Policy
- III. CSR Policy
- IV. Whistle Blower Policy consisting of Vigil Mechanism
- V. Policy on Determining Material Subsidiaries
- VI. Code for Fair Disclosure

RISK MANAGEMENT

Pursuant to section 134 (3) (n) of the Companies Act, 2013 & Clause 49 of the Listing Agreement, the Company has framed a Risk Management Policy. In the opinion of the Board there

appears to be no element of risk which may threaten the existence of the Company.

VIGIL MECHANISM & WHISTLE BLOWER POLICY

The Company has an established Vigil Mechanism for Directors / Employees to report concerns about unethical behaviors, actual or suspected fraud, or violation of the code of conduct or ethics policy. It also provides for adequate safeguards against victimization of Directors / Employees who avail of the mechanism. The Company affirms that no personnel have been denied access to the audit committee. The Company has formulated a Policy of Vigil Mechanism and has established a mechanism that any personnel may raise Reportable Matters. All suspected violations and Reportable Matters are reported to the Chairman of the Audit Committee at e-mail id 'whistleblower@kprmill.com'. The key directions / actions will be informed to the Chairman / Managing Director of the Company.

The Whistle Blower Policy has been framed and displayed in the Company's Website.

CSR EXPENDITURE

During the year, in pursuance of the recommendations of the CSR committee, the Company has contributed ₹ 2.32 Crores being 2% of the average net profit of the Company towards implementing the CSR activities. Annual Report on CSR, as required by the Act is appended.

BOARD MEETINGS

The Board of Directors met Six times during the financial year on 19.04.2014, 22.05.2014, 04.08.2014, 06.11.2014, 05.02.2015 and 12.03.2015. The Composition of Board, procedure, dates and other details are included in the Corporate Governance Report that forms part of this Report.

CONSOLIDATED FINANCIAL STATEMENTS

Your Directors have pleasure in attaching the Consolidated Financial Statements pursuant to the provisions of the 'Act' and the Listing Agreement entered into with the Stock Exchanges. They are 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.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company has duly complied with the provisions of Section 186 of the Act and as required therein the details of the Borrowals, Security, Investment etc., are annexed by way of notes to accounts.

RELATED PARTY TRANSACTIONS

All Related Party Transactions that were entered into during the financial year were only between Holding Company and Wholly