



empowering excellence

13th annual report 2015-16

HIGHLIGHTS 2015-16

(₹ in Lakhs)

Total Revenue **2,61,404**

PBDIT **49,252**

PBT **28,318**

PAT **21,011**

Cash Profit **36,216**

Assets **2,39,602**

Net Worth **1,09,419**

EPS - ₹ **55.57**

Cash EPS - ₹ **95.92**

The emphatic journey from an agricultural family of remote village, into Textiles Trade, as First generation entrepreneurs has built KPR on fabulous values. From a humble beginning in 1984, with a meagre capital, they started trading in power loom cloth, under the brand 'KPR'. With their strenuous and enduring team efforts, KPR strided with gradual and steady growth creating Twelve Technologically Advanced Manufacturing Facilities in and around Coimbatore, Tamilnadu over a period of thirty years. Establishing a strong footing in Textile Industry, empowered by strategic business plans, KPR has spread its wings to Sugar, Power Generation and Automobiles. Quality is the watchword. Be it the products KPR Group manufactures or the services it renders.

KPR Mill Limited, is one of the largest vertically integrated Apparel manufacturing Companies in India, with a work force of over 15,000 Employees. 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; Garmenting facility to produce 95 million pieces of ready-made knitted apparel per annum, one of the largest Garment Producers in India; Industry acclaimed ETP embedded Fabric Processing unit with a capacity of 9,000 MT per annum (Capacity Doubling is under way); 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.



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Garment Unit, Thekkalur



CHAIRMAN'S LETTER

Dear Shareholders,

It is my pleasure to present the 13th Annual Report of KPR, supplementing a successful year to its journey of consistent performance. During the year KPR registered a Consolidated Revenue of ₹ 2,614 Crores and a Net Profit of ₹ 210 Crores. Global economic slowdown has impacted the economic growth of developing countries including India. Though the Textile Industry as a whole experienced some challenges, KPR with its unique features recorded a higher profitability over previous year. Garment segment performed well. Exports constitute 36% and domestic 64%. The slide in cotton prices impacted the revenue from yarn as well as the topline.

With regard to various value addition driven strategies initiated, Conversion of conventional yarn capacity to value added yarn is completed; 12 million Green Field garment capacity commissioned during last year has reached its full capacity during the 4th quarter; the new 36 million Green Field Garment facility has been commissioned on 24th of April

2016. With the doubling of Garment capacity in last 2 years (47 million to 95 million) KPR is now one of the **largest** Garment manufacturers in the country. Ramping up of new facility is in progress and will be completed during the current financial year. To meet the needs of expanded garment segment, we are doubling the processing capacity by adding advanced cold process technology that minimizes water consumption as well as cost of production. Hi-tech Rotary Printing is also contemplated.

Encouraging support from existing buyers and entry into new Countries in emerging markets vindicate our strategic move for expanding the promising sectors Garmenting and Processing. Cotton price was stable during the last 2 years. National and International cotton Balance Sheet reflects comfortable position and monsoon prediction is also positive. As its future outlook is encouraging, I am confident that its prices may stabilize at this level. During this year Power cut has been lifted in Tamilnadu.



The comfortable cash flow and better performance enabled a higher dividend payout of ₹ 10 per share (100%) including 10% proposed as final dividend. The earnings per share increased to ₹ 56 from ₹ 46 of last year. Sugar prices started moving up. The outlook for Sugar market is positive. Our shares have also performed appreciably in the Stock Market. Your support and co-operation has been instrumental in hiking its market cap over 70% from last year. I am happy to inform that the BSE Limited has included KPR in the list of Top 500 Companies based on Market Cap during the year.

KPR continuously invests considerably in training its employees, whose expertise is one of its key strengths. We take pride in announcing that KPR has been awarded 'Commendation Certificate of Merit' as best large scale Private Organization, in the training program under "Skilling India" Scheme, introduced by Central Government. As regards employee empowerment, so far, over 15,000 employees are benefited by availing Higher Education facilities offered at KPR with the tie-up of Leading Universities, which is considered as the master piece of its five star rated employee welfare facilities. Evidencing the high standard of coaching extended by KPR, every year the Employees prove their outstanding talent in the Government Exams. To quote an achievement, an Employee of KPR (Ms. Ruba), has secured **First Rank** in 'Tamilnadu Open University' Examination 2015 and was awarded **Gold Medal** from the hands of Honorable Governor of Tamilnadu. We are also glad to inform that in the Academic year 2015-16 'Higher Secondary Government Examinations', our employee (Ms. B. Kalaivani) has scored 1149 marks out of 1200 and 19 employees scored, above 1000 marks.

CSR ACTIVITIES

KPR has been traditionally engaged in CSR activities voluntarily much ahead of CSR legislation. More particularly

empowering women from deprived Society with financial and literacy, so as to be independent in life and support their families. Education is the backbone of every society in this world. But what matters the most is the quality education - a dream for many. Aligning with this thought and realizing the crucial role of CSR, during the year, identifying a pool of talented Students from the bottom of social pyramid, scholarships have been granted to them enabling access to quality higher education. Compliance of Corporate Governance in all its spheres continues.

CREDENTIALS

I am pleased to report that in the **Business World's Top 500 Indian Companies of 2015**, KPR is ranked at 239th place. Adding to its credentials, '**Business Today**' has selected KPR's Management as one of the **Top 100 CEO's** of India for 2015.

I am much thankful to the Board of Directors for their guidance and contribution for the growth of the Company. I also thank the entire Management, for their invaluable team work to achieve the desired results. I would like to thank our long-term shareholders as well as those who have joined us recently for their unstinted support and confidence.

The apparel industry is continuing its fast growth. I remain confident; with increased Garment & Processing capacity, strategic move towards more value added yarn, KPR is expected to accelerate further growth in the earnings and cash flow in coming years. Bolstered by the solid strength of its proven business model, operating fundamentals, strong financials, free cash flow, strategic plans, KPR can steer its growth prospects, achieving the best standards, enhancing long term value of all stakeholders.

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



E.K. Sakthivel
Executive Director



Dr. K. Sabapathy
Director



K.N.V. Ramani
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,
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Coimbatore – 641 001.
Ph : 0422 - 2478090
Fax : 0422 - 2478050

CORPORATE OFFICE

1st Floor, Srivari Shrimat, 1045,
Avinashi Road, Coimbatore - 641 018.
Ph : 0422 - 2207777
Fax : 0422 - 2207778
Email : corporate@kprmill.com
Web : www.kprmilllimited.com

CHIEF FINANCIAL OFFICER

PL Murugappan

**COMPANY SECRETARY &
COMPLIANCE OFFICER**

P. Kandaswamy

STATUTORY AUDITORS

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

BANKERS

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

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 – 500032.
Phone : 040 6716 2222
Fax : 040 2300 1153
Toll Free No. : 1800 345 4001
E-mail : einward.ris@karvy.com

COMPANY CIN

L17111TZ2003PLC010518

Dear Members,

The Board of Directors' take pleasure in presenting the report on the operations and business of the Company along with Audited Financial Statements for the year ended 31st March, 2016.

FINANCIAL RESULTS

(₹ in Lakhs)

PARTICULARS	STANDALONE		CONSOLIDATED	
	2015-16	2014-15	2015-16	2014-15
Sales and Other Income				
Domestic Sales (Net of Excise Duty)	1,37,522	1,54,752	1,59,386	1,68,413
Export Sales	54,397	48,803	90,654	80,432
Other Income	7,569	6,682	11,364	10,134
	1,99,488	2,10,237	2,61,404	2,58,979
Profit before Interest & Depreciation	38,962	37,843	49,252	46,134
Less : Interest	4,442	6,450	5,729	8,394
Depreciation	12,384	12,587	15,205	15,402
Profit Before Tax	22,136	18,806	28,318	22,338
Less : Taxation				
Provision for Current Tax	6,574	5,546	8,390	6,573
Tax relating to earlier years	145	(82)	165	(95)
MAT Credit	-	1,281	1,119	1,522
	6,719	4,183	7,436	4,956
Deferred Tax Expense / (Credit)	(137)	25	(129)	25
Profit After Tax	15,554	14,598	21,011	17,357

REVIEW OF OPERATIONS

In the year under review, despite challenges faced by the Industry & Economy in general, the Company has performed better. The decline in cotton price over 15%, created an equivalent adverse impact on Yarn & Fabric prices. Though power cut in the State has been lifted, the continued evacuation issue deteriorated our wind power generation considerably. However with value added products, optimum utilization of capacities and improved business & margin in Garment, the profitability of the Company has improved. Sensing the need of customers for speciality products, the Company started producing the Slub effect Melange (Colour Melange) and Polyester Cotton Yarn, besides converting the existing facility to value added Compact yarn producing facility. These products carry higher margin and consistent demand. The Garment Industry is expected to continue it's upbeat. Exports from Tirupur Market, the knitwear hub of India, the value of

shipments crossed ₹ 21,000 Crores for the fiscal 2015. If the same trend continues for three years, the exports will double. Our expansion initiatives are progressing well as contemplated. With the above strategies, the Company is hoping to secure higher margin in the coming years. With comfortable cash flow, it is expected that the debt level may come down gradually leading to a debt free entity in 3-4 Years.

DIVIDEND

Your Company has been maintaining a consistent dividend track record. Considering better performance and strong liquidity, during the year the Board of Directors have declared two interim dividends, 50% (₹ 5) during January 2016 and 40% (₹ 4) during March 2016. The Board in its Meeting held on 28th April, 2016 has recommended a final dividend of 10% (₹ 1) on Equity

Directors' Report

Shares, thus aggregating to 100% (Rupees Ten per Share on Equity Share of Rupees Ten each), subject to the approval of the Members at the Thirteenth Annual General Meeting.

RESERVES

During the year under review the Company has transferred ₹ 1,500 Lakhs to the Capital Redemption Reserve towards redemption of Preference Shares and ₹ 15,554 Lakhs were transferred to General Reserve.

GARMENTS EXPANSION

The expansion of Garment capacity by 36 million garments to cope up with the upsurge in market demand is progressing well and nearing completion. It would entail KPR as one of the largest Garment producing Corporates in India. The response from existing customers as well as from new markets is much encouraging. The interest evinced by leading Brands from new markets substantiates our right move. It is expected to be commissioned during the First Quarter of Financial Year 2016-17.

DOUBLING OF PROCESSING CAPACITY

The sustained growth foreseen in global apparel industry coupled with a shift in overall trade towards Asia over the years in view of lower cost of production, has made India the most preferred, competitive textile manufacturing hub. To keep pace with fast-changing customer demand, design and technology, increase of production capacity coupled with technological advancement has become essential. Currently, India lags in processing capacities in terms of modern technology. Bearing it in mind and commensurate with the increased in-house requirement on account of Garment capacity expansion and future market potential, an expansion drive has been mooted in its Fabric processing facility which has a backing of strong Effluent Treatment Plant. The key factors of expansion are:

- 100% capacity addition – From 25 MT to 50 MT per day
- Advanced continuous process technology minimizing cost of production.
- Hi-tech Rotary screen printing to escalate operations

The expansion drive facilitates the Company's commitment to grow with the market trend. Its salient features are;

- elimination of salt usage in dyeing that considerably reduces the water & energy consumption, effluent etc., thereby minimising cost of production.
- ensuring improved quality, higher color uniformity;
- garnering large overseas customers from new giant markets besides widening the current client base;
- safe processing of delicate & sensitive Fabrics with minimal interruption through Rotary screen printing;
- eligible for 10% capital subsidy under A - TUF scheme.

Investment to ensure this capacity addition will be ₹ 120 Crores funded through internal accruals and Bank finance. The project is estimated to be completed in 9 Months' time.

SUBSIDIARY COMPANIES

The Company has Four Wholly Owned Subsidiary Companies, their financials and details as required Under Section 136 of the Companies Act, 2013 (hereinafter referred to as the 'Act') are available in the website of the Company.

Statements pursuant to Section 129 (3) of the Act, in 'Form AOC - 1' 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 under review the high growth in apparel market and its exports enabled the Company a better margin. The significant increase in the Apparel consumption in developing economies is expected to sustain the growth level for a long term.

K.P.R.SUGAR MILL LIMITED

Consequent on the delay in fixation of cane price by the Government during the year also, there has been a delay in Sugar crushing. The drought prevailed at Karnataka, after 5 years of good monsoon, has curtailed sugarcane availability. The Sugar price which was reeling under tremendous pressure due to sluggish demand had a reprieve during the last Quarter of the Financial Year. Produced 66,335 metric tons of sugar. Out of 1005 Lakhs units of power generated 760 Lakhs units were sold and 245 Lakhs units captively consumed.

JAHNVI MOTOR PRIVATE LIMITED

In Financial Year 2015-16, the Company sold 271 Cars and with improved Service Income, it earned a total Revenue of ₹ 131.60 Crores. Its effective marketing setup sustained the 'No.1' Position under category 'B' Dealership, besides securing 'All India Best Partner' title in after Sales Service.

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

Our prompt repayments and pre-closure of certain high cost debts, facilitated by healthy Cash flow, elevated the credibility of your Company. It enabled prudent application of funds and better negotiation strength. This exemplary trend is expected to continue.

DIRECTORS

Sri. M.J. Vijayaraaghavan, Director passed away on 10.06.2015. Taking note of his long association and sane advice, the Board placed on record the invaluable services rendered by him as a Senior Director and Audit Committee Chairman.

Sri. A. Sekar, Whole time Director had retired on 27.07.2015 and Sri. P. Selvakumar, Senior Executive of the Company was appointed as a Whole Time Director of the Company. The Board in its Meeting held on 09.03.2016 has co-opted Sri. E.K. Sakthivel, as Additional Director, under the designation 'Executive Director' subject to the approval of the Company at Annual General Meeting. At the ensuing Annual General Meeting suitable Resolution has been included in the Notice of the said Meeting to regularize his appointment.

The Company has adequate Independent Directors in compliance with the Act and SEBI (LODR) Regulations, 2015 hereinafter referred to as Listing Regulations. Familiarization Program on the Company and its operation 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 in Section 149 (6) have been obtained.

Sri. P. Selvakumar, Director retires by Rotation at the ensuing Annual General Meeting and is eligible for reappointment.

The details of the aforesaid Directors, required to be disclosed under Regulation 36 (3) of the Listing Regulations, form part of the Notice of the ensuing Annual General Meeting. Your Directors recommend their appointment / re-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 the Company has Key Managerial Personnel. 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 read with Schedule V 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 Directors 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 and also by the Board of Directors. 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 Regulations.

COMMITTEES

As required by the provisions of the Act and Listing Regulations, 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.