



enhancing value

14th annual report 2016-17

HIGHLIGHTS 2016-17

(₹ in Lakhs)

Total Revenue **2,84,409**

PBDIT **59,074**

PBT **37,690**

PAT **28,697**

Cash Profit **43,636**

Assets **2,51,767**

Net Worth **1,28,596**

EPS - ₹ **38.17**



The vibrant team of KPR Brothers, from an agriculture family of a remote village, evolved their tiny business into marvel entity through their strenuous and enduring team efforts transforming the lives of rural folks. Begun in 1971, with 4 Power looms and 4 employees at their father's barn with a slender capital is now one of the leading textile conglomerates in India, built on fabulous values. KPR's strong fundamentals entailed establishment of 12 state of the art manufacturing facilities employing around 19,000 dedicated employees. Its quest for quality, excellence, transparency and good governance elevated KPR as one of the Top 500 Companies in India and ranked its management as one of the top 100 CEO's of India for consecutive years. Its indulgence in green energy initiatives, eco-friendly activities, human values up gradation in pursuit of social cause are noteworthy.

KPR Mill Ltd, is one of the largest vertically integrated Apparel manufacturing Companies in India, with a cumulative capacity of 3,53,616 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 18,000 M.T per annum equipped with advanced cold processing technology and Sophisticated Printing Division 7500 M.T 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.

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CHAIRMAN'S LETTER

Dear Shareholders,

I am pleased to present the 14th Annual Report of K.P.R. Mill Limited. The Financial Year 2016 - 17 has been yet another growth oriented and successful Year for KPR. I wish to share with you some of its highlights:

Performance

All time high PAT of ₹ 286.97 Crores

Continuous Revenue Growth @ ₹ 2,844.09 Crores

Enhanced Garment Production 62.19 Mn Garments

We grew profits faster than revenue. Effectively managing our business with strong operational execution, delivered profitable growth to our shareholders. The disciplined financial approach resulted in consistent profits, Cash Flows and enjoys a well-capitalized Balance Sheet.

Expansion

As regards the expansion in value added segment, I am glad to inform you that

- * 36 Mn New garment capacity ramp up is progressing as per plan.
- * Eco-friendly Processing 'Unit 2' commenced its operations.
- * Sophisticated high resolution printing division started Commercial operations.

Driving shareholders value

We remain highly focused on superior shareholder value. During fiscal 2017, in order to improve the liquidity of the shares of the Company in the stock market and to encourage the participation of small investors by making the shares affordable, the Equity Shares of the Company of ₹ 10/- each was split into Two Equity Shares of ₹ 5/- each. In addition, with a view to return our free cash flow to the shareholders, we resorted to buyback of shares by giving an option to all the Equity Shareholders to participate in the same.

Cotton & Power

India is the largest producer, 2nd largest exporter and also a leading consumer of cotton in the World. Remunerative prices in previous year have encouraged farmers to grow more cotton. Given the forecast of a normal monsoon, India's cotton output in 2017-18 may also rise. The balanced supply and demand situation will lead to stable cotton prices, which may help Indian textile firms in keeping their input costs lower. The rollout of Goods and Services Tax (GST) may also help lower the cost. These factors will improve the earnings outlook for textiles. With the support of captive power, KPR has an edge over others in respect of power cost.

Our dedicated employees at fully air-conditioned New Green Field 36 million Garment Facility - One of the largest in the country.



Value addition to Human Resource

We always consider that people are the most important asset of an organization. Majority work force of KPR consists of women employees. The value of human assets can be increased substantially by investing in their welfare activities, so as to create efficient, healthy, loyal and satisfied labour force for the organization. The purpose of providing such facilities is to make their work life better and also to raise their standard of living. Employee welfare is an essential part of social welfare. Education is one of the most important, means of empowering women with the knowledge, skills and self-confidence. Acknowledging them as potential human resources, investment is made in developing their capacity in terms of education, skill development through training. As in every year with the best coaching facilities extended through well experienced full - time teachers, this year also our Employees have completed the higher education with flying colors. An employee of KPR, who has scored 1,123 out of 1,200 in the Government's plus two examinations, says 'I would like to become an IAS officer after completing my college studies'. She is among the 189 girls from KPR who has successfully passed the exam this year. More than 25 employees have scored above 1,000 marks. Over 20,000 women workers have been benefitted so far by the educational facilities. In the Government sponsored skill development programme, around 2000 employees participated during the year. As you are aware, the textile industry is labour intensive and our employee care facilities address our additional work force requirement with ease.

CSR Activities

On CSR front, we continue to contribute predominantly on promotion of Education which plays a vital role in shaping tomorrow's leaders. Not only can we become a better nation by acquiring the skills necessary to be productive members of a civilized society but also meet challenges that can produce changes which are productive for attaining business innovations, political and economic objectives.

When parents think about their children's future, they see collegiate education as vital to their children's success and when saying so, they most frequently mean an education of high standard. It is with the objective of making high quality education affordable to common public, we are focusing on the same. Towards augmenting green cover, in an ambitious tree planting program, the Company has planted more than one lakh saplings in the villages and our Units.

Acclamation

KPR's visionary plans & dynamic management continues to crown its Management as one of the 'Top 100 CEO's of India' for the year 2016 successively besides sustained ranking in the 'List of Top 500 Companies in India'. Overwhelming endorsement and enthused response from the shareholders elevated KPR's market cap to cross \$ one Billion and I wish to thank the Shareholders for their unstinted support.

Future ahead

Globally, India has the second-largest integrated textile manufacturing facility. The textile and clothing sector is strong in spinning and garmenting segments. In the last fiscal, India's the ready-made garment clothing exports rose 2.31% \$17.35 billion, in which almost 80% are cotton based. Realising that a push in apparel exports can be an engine of growth for the other segments, the Government is keen on incentivizing the Garment sector. However, the Infrastructure challenges, preferential tariffs that neighboring countries enjoy with EU markets, need to be addressed for textile and clothing exports to leap forward. To leverage on the strengths in the spinning and garment segments strengthening of the processing and allied segments have become imminent. The strategic expansion implemented in low capital internship Garment and Processing segments, self-sufficiency in power, focus on value added products, comfortable cash flow are some of the major factors placing KPR in a lucrative position to reap the benefits from the bright prospects.

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

With best wishes
K.P. Ramasamy
Chairman





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



S. Ranganayaki
Director



P. Selvakumar
Director

REGISTERED OFFICE

No.9, Gokul Buildings,
1st Floor, A.K.S. Nagar,
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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,
No.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
Punjab National Bank
Yes Bank

REGISTRAR AND SHARE TRANSFER AGENTS

Karvy Computershare Private Limited,
Unit : K.P.R. 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

DIRECTORS' REPORT

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 Financial Year ended 31st March, 2017.

FINANCIAL RESULTS

(₹ in Lakhs)

PARTICULARS	STANDALONE		CONSOLIDATED	
	2016-17	2015-16	2016-17	2015-16
Sales and Other Income				
Domestic Sales	1,52,162	1,37,522	1,69,259	1,60,329
Export Sales	64,200	54,397	1,01,395	90,654
Other Income	8,264	7,629	13,755	11,458
	2,24,626	1,99,548	2,84,409	2,62,441
Profit before Interest & Depreciation	47,277	39,022	59,074	49,346
Less : Interest	4,503	4,442	6,445	5,763
Depreciation	11,743	12,384	14,939	15,205
Profit Before Tax	31,031	22,196	37,690	28,378
Less : Taxation				
Provision for Current Tax	7,668	6,574	9,119	8,390
Tax relating to earlier years	(166)	145	(159)	165
MAT Credit Entitlement	-	-	1,420	1,119
	7,502	6,719	7,540	7,436
Deferred Tax expense / (Credit)	(313)	(137)	1,468	(129)
Profit After Tax	23,842	15,614	28,682	21,071
Other Comprehensive Income (Net of tax)	15	23	15	5
Total Comprehensive Income	23,857	15,637	28,697	21,076

REVIEW OF OPERATIONS

It has been a significant and eventful year for KPR. The expansion programs as contemplated have been successfully completed. Its strategic direction towards value addition has started yielding results. The revenue recorded a growth of 13% over previous year and PAT by 52%. The cotton price continues to be stable. The wind energy (Green power) supported the operations considerably. Power availability in the State has been comfortable. Due to hike in Minimum Wages by the Government, the labour cost has gone up. The well acclaimed labour practices enabled smooth flow of labour to the expanded capacities. Our consistent improvement in profitability has been due to several factors such as strategic plans, reduced cost, increased production capacity etc. Despite the slowdown due to demonetization drive, we have not seen any major impact on our business.

FUTURE OUTLOOK

Rapid urbanization, growing population, rising per-capita income, enlarging middle class & young population exposed to changing tastes and fashion have led to huge opportunities for the textiles sector in the domestic market. Growing encouragement to downstream sectors of the Textile Industry from the Government and the efforts for expediting Free Trade Agreement's to improve the competitiveness on the global front, would improve the export earnings of the Industry significantly. K.P.R, which is well equipped with strong factors of production, financial and operational performance is an advantageous position to reap the benefits of bright outlook for the Sector as a whole.

SUB-DIVISION OF EQUITY SHARE (SPLIT OF SHARE)

During November 2016, after obtaining the consent of the

Members of the Company by Postal Ballot and complying with the applicable provisions of the Act & Regulations, the Equity Share of the Company of the Face Value of ₹ 10/- each has been split into two shares of Face Value of ₹ 5/- each. The new subdivided shares have been credited to the concerned shareholders' Demat accounts. The new ISIN of the Company at Depositories is INE930H01023.

BUY BACK

The Board of Directors of the Company announced a Buyback of 14,70,000 fully paid-up equity shares (1.95% of the pre Buyback equity share capital) of the face value of ₹ 5/- each from all the existing shareholders on a proportionate basis, through the "Tender Route" process at a price of ₹ 660 per Equity Share payable in cash. The total consideration amounted to ₹ 9702 Crores representing 9.95% of the aggregate of the paid-up equity share capital and free reserves, as per the audited accounts of the Company for the year ended March 31, 2016. After complying with the applicable laws, the Company bought back 14,70,000 Equity Shares. The funds in respect of accepted Equity Shares have been paid out. Buyback was completed on February 13, 2017. The Promoters who have participated in the Buyback offer re-organised their stake to the permitted levels subsequently as per their undertaking to SEBI. The present Paid up Capital Post Buyback is ₹ 36.95 Crores.

DIVIDEND

The Board in its meeting held on 03.05.2017 has recommended a Dividend of 15% on Equity Shares of ₹ 5/- each (₹ 0.75), subject to the approval of the Members at the Fourteenth Annual General Meeting.

RESERVES

During the year under review the Company has transferred ₹ 73 Lakhs to the Capital Redemption Reserve towards Buyback of Equity Shares and ₹ 2,386 Lakhs to the General Reserve.

FINANCE

Our prompt repayments of loan and interest continued. The funds are effectively managed to reduce the cost of interest. During the year, we have availed additional term loans to fund the expansion Projects. The comfortable cash position is expected to continue with the prospective outlook.

EXPANSION

The Financial Year 2016-17 has been a record year for KPR in augmenting its capacities in the value added segment. A brief about the expansion plans completed during the year is furnished below:

I. GARMENT

KPR commissioned its large Green field Garment manufacturing facility with a capacity to produce 36 million Garments per annum under one roof. Now with a total capacity of 95 Million Garments we are one of the largest Garment Manufacturers in India. New Clients and new Markets are added. Order book positions, response from existing and prospective clients are promising.

II. DOUBLING OF PROCESSING CAPACITY

We have also commenced operations in the 'State of the Art' Processing Unit II. The advanced technology of cold processing adopted therein reduces the water consumption by 30% and eliminates the usage of salt completely. This eco - friendly facility will economise the cost of production and enhance the Fabric quality with excellent colour uniformity. This new unit will further add value to the Garment Division.

III. NEW SOPHISTICATED PRINTING DIVISION

KPR established a new Printing Division with the Sophisticated Technology Printing Machines, imported from Austria. This advanced technology empowers us to print sharp designs with high level of accuracy. Entire range of fabrics, such as light & heavy as well as delicate & sensitive fabrics can be printed in the same machine, without any friction. Its ability to print voluminous fabrics with high resolution is a salient feature. The sharpness & accuracy in printing the design and colour are its significant strengths. This new division shall cater to the Premium Brands' high-end garment requirements carrying higher revenue and margin.

SUBSIDIARY COMPANIES

In respect of 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.

I. QUANTUM KNITS PVT. LIMITED

The garment business has been consolidated for effective management.

II. K.P.R. SUGAR MILL LIMITED

The continuous drought conditions at Karnataka impacted the production and supply of sugarcane. The sugarcane crushing commenced in December 2016 during the year, could produce 32,995 metric tons of sugar. Out of 423 Lakh units of power generated 294 Lakh units were sold and 129 Lakh units captively consumed. However sugar prices continues to be stable.

III. JAHNVI MOTOR PRIVATE LIMITED

In Financial Year 2016-17 the Company sold 192 cars and with improved service income marked total revenue of ₹ 115.07 Crores. The National Demonetization drive during the year has impacted the sale of automobiles for the industry as a whole considerably. However the Automobile Industry is optimistic of its growth during the current year.

IV. 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.

DIRECTORS

The Company has adequate Independent Directors in compliance with the Act and 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.C.R. Anandakrishnan, Director retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

The details of the aforesaid Director, required to be disclosed under Regulation 36(3) of the Listing Regulation, form part of the Notice of the ensuing Annual General Meeting. Your Directors recommend his 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 of the Act. The Company pays remuneration by way of salary, perquisites etc., 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. 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 Regulation, 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 Act and the Listing Regulation, the following policies have been framed and disclosed on the Company's website 'www.kpmilllimited.com'.

- I. Nomination & Remuneration Policy
- II. Related Party Transaction Policy