



ANNUAL REPORT
2010-2011

K G DENIM LIMITED



K G DENIM LIMITED

BOARD OF DIRECTORS

Executive Chairman Shri KG Baalakrishnan

Managing Directors Shri B Sriramulu
 Shri B Srihari

Directors Shri G V S Desikan
 Shri G P Muniappan
 Shri K N V Ramani
 Shri V Jagadisan
 Smt T Anandhi
 Shri M J Vijayaraaghavan
 Shri Surinder Chhibber
 Shri A Velusamy
 Shri S Muthuswamy
 Director & Company Secretary

Registered Office
Then Thirumalai
Jadayampalayam, Coimbatore - 641 302
Phone : (04254) 304401 / 304000
Website : www.kgdenim.com
E-mail : cskgdl@kgdenim.in

Registrar and Share Transfer Agent
Cameo Corporate Services Ltd
"Subramanian Building"
No.1 Club House Road
Chennai - 600 002
Phone : (044) 28460390 (6 lines)

Auditors M/s Gopalaiyer and Subramanian
 Chartered Accountants
 Coimbatore

Bankers Indian Bank
 Bank of India
 Allahabad Bank
 State Bank of India
 State Bank of Hyderabad
 Indian Overseas Bank

| CONTENTS | Page |
|------------------------|---------|
| Directors' Report | 2 |
| Auditors' Report | 10 |
| Balance Sheet | 12 |
| Profit & Loss Account | 13 |
| Cash Flow Statement | 14 |
| Schedules | 15 |
| Balance Sheet Abstract | 29 |
| Consolidated Accounts | 31 |
| Notice | I to IV |

K G DENIM LIMITED

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

We have pleasure in presenting the Nineteenth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 2011.

FINANCIAL RESULTS

(Rs. in lakhs)

| PARTICULARS | For the year ended 31 st March 2011 | For the year ended 31 st March 2010 |
|---|---|---|
| Gross Profit | 3911 | 3452 |
| Less: Interest | 1914 | 1965 |
| Loss due to exchange variation | 4 | 101 |
| Profit prior to Depreciation and write off | 1993 | 1386 |
| Less: Depreciation | 1293 | 1290 |
| Add : Prior Year Income / (Expenditure) (Net) | 19 | 2 |
| Net Profit | 681 | 94 |
| Current, Deferred, FBT Tax & earlier year tax | 231 | 77 |
| Net Profit for the year | 450 | 17 |
| Balance Brought forward | -298 | -315 |
| Balance carried forward | 152 | -298 |

PERFORMANCE OF THE COMPANY

During the year ended 31.03.2011, the Company achieved an overall production of 241 lakh meters of fabrics against the previous year's production of 229 lakh meters. The sales for the year was Rs.32723 lakhs as against sales of Rs.25851 lakhs during the previous year, representing an increase of 27 %.

The increased turnover coupled with the ability of the Company to pass on the effects of higher raw material prices to the customers helped the company in achieving higher profits for the year.

INDUSTRY STRUCTURE & DEVELOPMENT

The Indian denim industry has consolidated its position in the global denim fabric and garment manufacturing during 2010-11. Its contribution to the nation's GOP has been increasing significantly.

During 2010-11, the domestic as well as export demand continued to show a healthy growth. The processed fabrics, particularly bed linens picked up during the year. Apparel exports increased but were moderately affected by rising input costs.

In the apparel segment, the preference by overseas customers for packaged ready made garments continued to increase.

OPPORTUNITIES AND THREATS

The domestic demand for denim continued to aid the company's growth plans. The company has stepped up its home textiles sales and is expected to do well in this segment in the next year. Apparel exports is expected to be maintained at current levels.

The increase in cotton and yarn prices during 2011-12, the higher interest rates and the volatility in exchange rates are the serious concerns facing the company. The company is taking steps to mitigate the effects of cost increases by suitable product mix changes and also by actively managing the exchange risk.

FINANCE

Your Directors acknowledge with gratitude, the valuable assistance and support extended by our Bankers for term loans and working capital ie., Indian Bank, Bank of India, Allahabad Bank, State Bank of India, State Bank of Hyderabad and Indian Overseas Bank.

PERSONNEL

The Directors wish to place on record their appreciation for the co-operation extended by all sections of the employees.



DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- a) In the preparation of the annual accounts, the applicable accounting standards had been followed.
- b) The Directors had selected such 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 or Loss of the Company for that period.
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities.
- d) The annual accounts have been prepared on a going concern basis.

CONSOLIDATED ACCOUNTS

In accordance with the requirements of Accounting Standard (AS-21) prescribed by The Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its subsidiaries are annexed to this Report.

SUBSIDIARIES

During the year, the gross turnover in Trigger Apparels Limited increased to Rs.30.48 crores from Rs.26.37 crores for the previous year. The subsidiary has been able to reduce its losses to Rs.68 lakhs from Rs.150 lakhs in the previous year.

No activity has taken place at KG Denim (USA) Inc. during the year.

CEO/CFO CERTIFICATION

The Managing Directors and Director & Company Secretary of the Company have submitted a Certificate to the Board as required under Clause 49 of the Listing Agreement for the year ended 31st March, 2011.

TRANSFER OF UNCLAIMED DEBENTURE TO IEPF

Pursuant to Section 205C of the Act, all unpaid/ unclaimed mature Debentures and interest thereon, remaining unpaid/ unclaimed for a period of 7 years from the date they became due for payment, have been transferred to the Investors Education and Protection Fund (IEPF) established by the Central Government.

CORPORATE GOVERNANCE

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, forms part of the Annual Report.

LISTING

The Company's shares are listed in the Bombay Stock Exchange Limited, Mumbai.

CAPITAL EXPENDITURE

The Company incurred a Capital Expenditure of Rs.264.67 lakhs during the year.

DIRECTORS

Shri M J Vijayaraaghavan, Shri G V S Desikan and Shri K N V Ramani retire by rotation and being eligible offer themselves for reappointment at the ensuing Annual General Meeting.

AUDITORS

The present Auditors M/s Gopalaiyer and Subramanian retire at the ensuing Annual General Meeting and are eligible for re-appointment. Cost Audit report for the financial year ending 31st March 2011 will be submitted to the Central Government in accordance with Cost Audit Report Rules, 2001.

K G DENIM LIMITED

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

Company already holds Certification under ISO 14001 : 2004 and ISO 9001 : 2008 to ensure confirmation of its process procedures to strict quality standard. Company is also strengthening its review control system by appointing External Consultants as Auditors. The Audit Committee also closely reviews with the internal and external auditors on the adequacy of internal control systems.

CAUTIONARY STATEMENT

The statement in this Directors' Report & Management Discussion and Analysis contain forward looking statements regarding Company's projections & expectations and the actual results could differ materially from those expressed on account of various factors like raw material prices, change in demand, government regulation etc., and the readers are cautioned against placing undue reliance on the same.

STATUTORY INFORMATION

During the year there were no employees in receipt of remuneration covered by Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended vide GSR 289 (E) dated March 31, 2011 [Companies (Particulars of Employees) Amendments Rules, 2011].

Information pursuant to sub-section 1 (e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure to this Report.

As per Section 212 of the Companies Act, 1956, the Company is required to attach the Directors' Report, Balance Sheet, and Profit and Loss account of subsidiaries. The Central Government has granted general exemption from complying with Section 212 of the Companies Act, 1956 to all companies vide Notification No.5/12/2007-CL-III dated February 8, 2011. Accordingly, your Company has presented in this Report, the consolidated financial statements of the holding company and all its subsidiaries, duly audited by the Statutory Auditors. The Company has also disclosed in the Consolidated Balance Sheet the information required to be provided as per the aforesaid Notification dated February 8, 2011. The Company will make available the audited annual accounts and related information of its subsidiaries, upon request by any of its shareholders. The annual accounts of the subsidiary companies will also be kept for inspection by any member at the Registered Offices of the Company and its subsidiary companies.

Our humble prayers to Sri Venkateswaraswamy Vari of Then Thirumalai for the continued prosperity of the Company.

Coimbatore
27.05.2011

On behalf of the Board
KG Baalakrishnan
Executive Chairman

ANNEXURE TO DIRECTORS' REPORT

Conservation of energy, technology absorption and foreign exchange earnings and outgo required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March, 2011.

CONSERVATION OF ENERGY :

- a) Energy conservation measures taken : The Company has set up a steam-driven co-generation power unit with use of biomass fuel.
- b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy: Energy audit has been done and various proposals are under implementation.
- c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : During the year the fuel input costs had gone up. Hence there is a marginal increase in costs.
- d) Total energy consumption and energy consumption per unit of production:



FORM - A

A. POWER AND FUEL CONSUMPTION

| | 31.03.2011 | 31.03.2010 |
|--|------------|------------|
| I Electricity | | |
| (a) Purchased | | |
| Units in lakhs | 48.00 | 43.00 |
| Value in lakhs (Rs.) ** | 245.00 | 202.80 |
| Cost/Unit (Rs.) | 5.10 | 4.72 |
| **Excludes fixed demand charges | | |
| (b) Own Generation | | |
| (i) Through Diesel Generator | | |
| Units in lakhs | 14.00 | 12.00 |
| Units / Ltr. | 3.10 | 3.20 |
| Cost/Unit (Rs.) | 10.07 | 9.03 |
| (ii) Through steam turbine/generator | | |
| Units in lakhs | 187.00 | 209.00 |
| Units/Ton of fuel mix | 410.00 | 413.00 |
| Cost/Unit (Rs.) | 6.07 | 4.37 |
| II Coal | | |
| Quantity (Tonnes) | 21716 | 19932 |
| Total Cost (Rs. in lakhs) | 1116.21 | 816.81 |
| Average Rate (Rs) | 5140.00 | 4092.00 |
| III Saw Dust etc., | | |
| Quantity (Tonnes) | 25495 | 23597 |
| Total Cost (Rs. in lakhs) | 386.00 | 307.70 |
| Average Rate (Rs) | 1514.00 | 1304.00 |
| B. CONSUMPTION / UNIT OF PRODUCTION | | |
| Electricity Unit/ Mtr. of Fabric | 1.25 | 1.35 |

FORM - B

C. TECHNOLOGY ABSORPTION

I. Research and Development (R & D) :

- Specific areas where R&D is carried out by the Company.
The R&D efforts of the Company are directed towards quality control improvement of existing methods and product developments/diversifications.
- Benefits derived as a result of the above R&D :
Cost reduction and improved quality and new product development enhanced performance in Export and Domestic Market.
- Future plan and action :
The R&D efforts will continue to meet the present and future needs of the end-users.
- Expenditure on R & D :

| | Rs.Lakhs |
|---|----------|
| a) Capital | - |
| b) Recurring | 15.00 |
| c) Total | 15.00 |
| d) R & D Expenditure as % of Total Turnover | 0.05 |

- II. Technology absorption, adaptation and innovation :
Continuous efforts are made towards technology innovation.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

- Efforts : The Company will continue to push up its volume of exports and maintain its price realization.
- Total Foreign exchange used and earned :

| | |
|-------------------------|----------------|
| Foreign Exchange : Used | Rs.1914 Lakhs |
| Earned | Rs.10653 Lakhs |

Coimbatore
27.05.2011

On behalf of the Board
KG Baalakrishnan
Executive Chairman

K G DENIM LIMITED

CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

Your Company is committed to building long term shareholders' value with full emphasis on Corporate Governance - Your company communicates corporate, financial and product information on line on its website - www.kgdenim.com. Your Company believes that all its operations and actions must serve the goal of enhancing overall shareholder value, over a sustained period of time. Company's philosophy envisages transparency, accountability and equitable benefits of highest level in its maximum possible operating fields, interaction with all its related stake holders including esteemed Shareholders, Workmen, Officers, Governments, Banks and other lenders.

2. BOARD OF DIRECTORS

The current financial year of the company covers a period of 12 months from 1st April 2010 to 31st March 2011. The present strength of the Board is 12 Directors, out of which 6 are independent directors.

4 (Four) Board Meetings were held during the year, as against the minimum requirement of 4 meetings. The dates on which the meetings held were as follows: 26th May 2010, 13th August 2010, 08th November 2010 and 14th February 2011. The Annual General Meeting was held on 13th August 2010. The table below gives the particulars of attendance of each Director at the Board Meetings held during the financial year and during his respective tenure of Directorship and at the last AGM, as also the number of Directorships in other Companies and membership in other Board Committees.

| Name of the Director | No. of Board Meetings held during the tenure of Directorship | No. of Board Meetings attended | Attendance of Last AGM | No. of Directorship in other Companies | No. of Membership in Board Committees of other Companies as | |
|--------------------------|--|--------------------------------|------------------------|--|---|--------|
| | | | | | Chairman | Member |
| Shri KG Baal Krishnan | 4 | 4 | Present | 7 | - | - |
| Shri B Sriramulu | 4 | 4 | Present | 13 | - | - |
| Shri B Srihari | 4 | 4 | Present | 10 | - | 1 |
| Shri G V S Desikan | 4 | 4 | Present | 5 | - | 2 |
| Shri V Jagadisan | 4 | 4 | Present | 2 | - | 5 |
| Shri K N V Ramani | 4 | 4 | Present | 7 | 5 | 2 |
| Shri G P Muniappan | 4 | 4 | Present | 2 | - | - |
| Smt T Anandhi | 4 | 3 | Present | 4 | - | - |
| Shri M J Vijayaraaghavan | 4 | 4 | Present | 2 | 3 | 2 |
| Shri Surinder Chhibber | 4 | 1 | Not Present | 1 | - | - |
| Shri A Velusamy | 4 | 4 | Present | 8 | - | 4 |
| Shri S Muthuswamy | 4 | 4 | Present | - | - | - |

Profile of Directors retiring by rotation and eligible for reappointment

Shri M J Vijayaraaghavan, aged 78 years is a practicing Chartered Accountant and a Fellow Member of the Institute of Chartered Accountants of India having over 5 decades of rich and varied experience in Auditing, Taxation and Finance.

Shri G V S Desikan, a B.Sc., B.Sc. (Tech) graduate, aged 78 years has rich experience in the management of textile industry. He was formerly Technical Advisor for National Textile Corporation, New Delhi, Chairman and Managing Director of Kerala State Textile Corporation Ltd., Trivandrum and Managing Director of Binny Limited.

Shri K N V Ramani, M.A., B.L., aged 79 years is a leading Advocate specialized in corporate laws. He has rich experience in corporate laws for more than five decades and has been on the Board of several companies. M/s. Ramani & Shankar, Firm of Advocates headed by him consists of panel of Advocates specialized in different fields of law.

Code of Conduct

In pursuance of Clause 49 of the listing agreement, the Board has approved the Code of Conduct for Board of Directors and Senior Management and the same has been circulated and posted on the Company's website. The Board of Directors and the Senior Management staff have given their declarations confirming compliance of the provisions of the above code of conduct.

3. COMMITTEES OF THE BOARD

a. Audit Committee

The terms of reference of the Audit Committee include the matters specified in Clause 49 of the Listing Agreement with the Stock Exchanges and in Section 292A of the Companies Act, 1956 as follows:-

- ♣ Oversight of the Company's financial reporting process and the disclosure of its financial information.
- ♣ Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- ♣ Reviewing with management the quarterly, half-yearly and annual financial statements before submission to the Board, focussing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgment by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards,



(vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) related party transactions i.e., transactions of the Company of material nature, with promoters or with the management, their subsidiaries or relatives etc, that may have potential conflict with the interests of company at large.

- ♣ Reviewing with the management, external and internal auditors, the adequacy and compliance of internal control systems.
- ♣ Reviewing the adequacy of internal audit functions.
- ♣ Discussion with internal auditors any significant findings and follow up thereon.
- ♣ Reviewing the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- ♣ Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- ♣ Reviewing the Company's financial and risk management policies.

During the year, the Committee has met four times, as against the minimum requirement of 3 meetings and the Audit Committee meetings were held on 26.05.2010, 13.08.2010, 08.11.2010 and 14.02.2011.

Composition of the Audit Committee as on 31st March, 2011 and the attendance during the year are as under:

| Name of the Director | Position | Category | No. of Meetings held | No. of Meetings Attended |
|----------------------|----------|------------------------------|----------------------|--------------------------|
| Shri V Jagadisan | Chairman | Independent, Non - Executive | 4 | 4 |
| Shri G V S Desikan | Member | Independent, Non - Executive | 4 | 4 |
| Shri K N V Ramani | Member | Independent, Non - Executive | 4 | 4 |

All the members of the Audit Committee are financially literate with knowledge in finance and accounts.

The head of finance function, head of internal audit and the representative of the Statutory Auditors were invited to be present at the Audit Committee meetings.

The Cost Auditors appointed by the Company under Section 233B of the Companies Act, 1956 were also invited to attend the Audit Committee Meetings.

The Director and Company Secretary acts as the Secretary to the Committee.

b. Remuneration Committee

The Board of the Company has constituted a Remuneration Committee, comprising of 3 Independent Non-Executive Directors viz., Shri K N V Ramani, Chairman, Shri G V S Desikan and Shri V Jagadisan as members.

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Executive Chairman/Managing Directors/Whole-Time Directors.

The detail of remuneration to Directors for the year is furnished in paragraph 7.

c. Shareholders'/Investors Grievance Committee

The Board of the Company has constituted a Shareholders'/Investors Grievance Committee, comprising of Shri G P Muniappan, Chairman with Shri G V S Desikan and Shri K N V Ramani as members. The Committee also looks into redressal of Shareholders' complaints like transfer of shares, non-receipt of balance sheet, etc.

The Committee oversees the performance of the Registrar and Transfer Agents and recommend measures for overall improvement in the quality of investor services.

During the year, the Shareholders'/Investors' Grievance Committee meetings were held on 24.05.2010, 11.08.2010, 03.11.2010 and 11.02.2011.

Shri R K Sridhar, Asst. General Manager(Finance & Accounts) is the Compliance Officer for complying with the requirements of the Securities and Exchange Board of India and requirements of the Listing Agreement with the Stock Exchange.

The total number of complaints received and replied to the satisfaction of Shareholders during the year under review, was 18. Outstanding complaints as on 31st March 2011 were 'Nil'.

4. GENERAL MEETINGS

Location and date/time of the last three Annual General Meetings.

| | | | |
|----------------------|---------------------------------|------------|---|
| 18 th AGM | 13 th August 2010 | 9.15 a.m. | Registered Office premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302 |
| 17 th AGM | 29 th September 2009 | 10.30 a.m. | - do - |
| 16 th AGM | 24 th September 2008 | 2.00 p.m. | - do - |

No postal ballots were required to be used for voting at these meetings.

5. DISCLOSURES

There are no materially significant related party transactions that would have potential conflict with the interest of the Company at large. Details of related party transactions are given elsewhere in the Annual Report. The Register of Contracts containing the transactions in which the Directors are interested is placed before the Board regularly.

No penalty or strictures have been imposed on the Company by any regulatory authority for non-compliance of any laws.

The Company has complied with the Accounting Standards prescribed by the Institute of Chartered Accountants of India and as referred u/s 211 (3C) of the Companies Act, 1956.

K G DENIM LIMITED

6. MEANS OF COMMUNICATION

The Quarterly and Half yearly results are published in local dailies such as "Dinamani" and "The Financial Express" and on the company's website.

The Management Discussion and Analysis Report forms part of this Annual Report.

7. REMUNERATION TO DIRECTORS

For the financial year ended 31st March 2011, the remuneration paid to the Directors as indicated below:-

| Name of the Director & Designation | Salary Amount (Rs.) | Perquisites and other benefits (Rs.) | Total (Rs.) |
|---|---------------------|--------------------------------------|-------------|
| Shri B Sriramulu, Managing Director | 24,00,000 | - | 24,00,000 |
| Shri B Srihari, Managing Director | 24,00,000 | - | 24,00,000 |
| Shri A Velusamy, Director | 8,17,500 | 81,588 | 8,99,088 |
| Shri S Muthuswamy, Director & Company Secretary | 8,17,500 | 82,500 | 9,00,000 |

The details of sitting fees paid to Non-Executive Directors for attending the Board or Committee Meetings during the financial year ended 31st March 2011 were as follows :-

| Name of the Directors | Sitting Fee (Rs.) | No. of Shares held |
|--------------------------|-------------------|--------------------|
| Shri G V S Desikan | 100000 | 200 |
| Shri V Jagadisan | 100000 | Nil |
| Shri K N V Ramani | 100000 | 10000 |
| Shri G P Muniappan | 20000 | Nil |
| Shri M J Vijayaraaghavan | 20000 | Nil |

8. GENERAL SHAREHOLDER INFORMATION

- | | |
|--|--|
| <p>1. 19th AGM to be held on : 12.08.2011 at : 9.30 a.m. venue : Registered Office Premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302</p> <p>2. Financial Calendar (Tentative) First Quarter - Second week of August 2011 Second Quarter - Second week of November 2011 Third Quarter - Second week of February 2012 Results for the year ending 31st March 2012 last week of May 2012</p> <p>3. Date of Book Closure 01.08.2011 to 12.08.2011 (Both days inclusive)</p> <p>4. Listing of Equity Shares Listed in Bombay Stock Exchange. The Company has paid the listing fees for the year 2011 - 2012 .</p> <p>5. Registrar and Share Transfer Agents In accordance with SEBI's Circular dated 4th January 2003 directing that the work related to share registry, in physical & electronic modes, be maintained at a single point, as from 1st April 2003, both the above segments of share registry operations are now being handled by the SEBI Registered R & T Agent M/s Cameo Corporate Services Limited, at 'Subramanian Building', No.1 Club House Road, Chennai 600 002</p> <p>6. Stock Code Bombay Stock Exchange Limited - 500239</p> <p>7. Demat ISIN No. for NSDL & CDSL INE104A01012</p> <p>8. Share Transfer System The Company's shares are traded in the stock exchange compulsorily in demat mode. Both the physical and demat modes of share transfers are being handled by company's Share Transfer Agent M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1 Club House Road, Chennai 600 002 The share transfer committee, which is a Board Committee, approves the transfer of shares.</p> <p>9. Dematerialisation of Shares 90.25% of the total equity shares (23153419 Shares) were held in the dematerialised form as on 31st March 2011. Trading in equity shares of the company is permitted only in dematerialised form w.e.f 26.06.2000, as per the notification of SEBI.</p> <p>10. i. Details of Public Funding obtained in the last three years. No capital from public was raised during the last three years.</p> <p>ii. Outstanding GDRS/ADRS/Warrants or any convertible instrument None</p> <p>11. Plant Location K G DENIM LIMITED, Then Thirumalai, Jadayampalayam, Coimbatore 641 302</p> <p>12. Address for communication K G DENIM LIMITED, Then Thirumalai, Jadayampalayam, Coimbatore 641 302</p> <p>13. Website www.kgdenim.com</p> | |
|--|--|



9. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2011

| Category | No. of Shareholders | % | No. of Shares | % |
|--------------------|---------------------|---------------|-----------------|---------------|
| Upto 5,000 | 14269 | 86.19 | 2612669 | 10.18 |
| 5,001 - 10,000 | 1205 | 7.28 | 1043633 | 4.07 |
| 10,001 - 20,000 | 488 | 2.95 | 782648 | 3.05 |
| 20,001 - 30,000 | 187 | 1.13 | 490491 | 1.91 |
| 30,001 - 40,000 | 64 | 0.38 | 237897 | 0.93 |
| 40,001 - 50,000 | 99 | 0.60 | 474701 | 1.85 |
| 50,001 - 1,00,000 | 111 | 0.67 | 849520 | 3.31 |
| 1,00,001 and above | 132 | 0.80 | 19162346 | 74.70 |
| Total | 16555 | 100.00 | 25653905 | 100.00 |

10. SHARE PRICE DATA

Market price data of the company's equity shares in Bombay Stock Exchange for the period from April 2010 to March 2011 is as below:

| Month | BSE Price | |
|----------------|-----------|-------|
| | High | Low |
| April 2010 | 13.18 | 11.01 |
| May 2010 | 13.50 | 10.00 |
| June 2010 | 12.72 | 8.27 |
| July 2010 | 12.70 | 10.75 |
| August 2010 | 18.10 | 10.75 |
| September 2010 | 18.45 | 14.35 |
| October 2010 | 21.55 | 15.00 |
| November 2010 | 22.40 | 15.00 |
| December 2010 | 17.20 | 12.75 |
| January 2011 | 17.30 | 12.10 |
| February 2011 | 13.80 | 10.85 |
| March 2011 | 12.99 | 11.00 |

11. COMPLIANCE WITH NON MANDATORY REQUIREMENT

1. As the Company communicates corporate, financial and product information online on the web site www.kgdenim.com individual communication of half yearly results is not sent to the shareholders.
2. The Company has not passed any resolution requiring approval of the shareholders by postal ballot.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To the Members/Board of Directors of M/s K G DENIM LIMITED, COIMBATORE

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by M/s K G Denim Limited for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was conducted in the manner described in the Guidance Note on certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and on the basis of our examination described above, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants
CA. R MAHADEVAN
Partner
Membership No.27497
Firm Regn. No.000960S

Coimbatore
27.05.2011

K G DENIM LIMITED

AUDITORS' REPORT TO THE MEMBERS OF K G DENIM LIMITED

- 1 We have audited the attached Balance Sheet of K G DENIM LIMITED as on 31st March 2011 and also the Profit & Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's Report) (Amendment) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further to our comments in the Annexure referred to above, we report that;
 - (a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the directors as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- 5 In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2011;
 - (b) In the case of Profit & Loss Account, the PROFIT for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

CA. R MAHADEVAN
Partner
Membership No.27497
Firm Regn. No.000960S

Coimbatore
27.05.2011

ANNEXURE REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE

I. IN RESPECT OF ITS FIXED ASSETS

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year discrepancies noticed on such physical verification were not material and have been properly dealt with in books of accounts.
- (c) There were no disposal of substantial part of fixed assets during the year and hence the going concern status of the Company is not affected.

II. IN RESPECT OF ITS INVENTORIES

- (a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventories. As explained to us there were no material discrepancies noticed on physical verification of inventories as compared to book records.

III. IN RESPECT OF LOANS, SECURED OR UNSECURED, GRANTED OR TAKEN BY THE COMPANY

The Company has neither taken any loans secured or unsecured, nor has granted any loans secured or unsecured to parties covered in the Register maintained under Section 301 of the Companies Act, 1956 and hence sub-clauses (a) to (g) of Clause (iii) are not applicable.

- IV. In our opinion and according to the explanations and information given to us, there is adequate internal control system commensurate with the size of the Company and the nature of business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit no major weakness has been noticed in the internal control system.



V. IN RESPECT OF TRANSACTIONS COVERED UNDER SECTION 301 OF THE COMPANIES ACT, 1956

- (a) In our opinion and according to the information and explanations given to us the transactions made in pursuance of contracts or arrangements, that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956 have been so entered in the register maintained for the purpose.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the Register maintained under Section 301 of the Act and exceeding the value of Rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

VI. During the year the Company has not accepted any deposits from the public and hence the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies [Acceptances of Deposit Rules, 1975] and other relevant provisions of the Companies Act, 1956 are not applicable.

VII. In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.

VIII. We have broadly reviewed the books of accounts maintained by the Company pursuant to the Order made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

IX. IN RESPECT OF STATUTORY DUES:-

- (a) According to the information and explanations given to us and records examined by us, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.

- (b) The following amounts have not been deposited on account of dispute.

| Name of Statute | Nature of Dues | Amount under dispute not yet deposited as on 31.3.2011 (Rs.lakhs) | Forum Where dispute is pending |
|------------------------|------------------|---|---|
| The Central Excise Act | Excise duty | 14.13 | Commissioner of Central Excise Appeals, Salem |
| The Central Excise Act | Excise duty | 369.18 | Out of this demand of Rs.335.75 lakhs was stayed by CESTAT, Chennai |
| The Central Excise Act | Excise duty | 247.74 | Revisionary Authority, New Delhi |
| Central Sales Tax Act | Central SalesTax | 5.73 | Appellate Deputy Commissioner(CT), Coimbatore |

X. The Company does not have any accumulated losses as at 31st March 2011. The Company has not incurred any cash loss during the financial year covered by our audit and the immediately preceding financial year.

XI. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debentureholders.

XII. During the year, the Company has not granted loans and advances on the basis of the security by way of pledge of shares, debentures and other securities.

XIII. In our opinion the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause (xiii) of the Companies (Auditors Report) (Amendment) Order 2004 is not applicable to the Company.

XIV. In our opinion and according to the information and explanations given to us, proper records have been maintained by the Company in respect of dealing in securities and other investments and timely entries have been made therein in respect of transactions and contracts. The securities and other investments have been held by the Company in its own name. The Company has not undertaken any trading in shares and debentures.

XV. According to the information and explanations given to us and the representation made by the management, the Company has given guarantee for loans taken by its subsidiary, Trigger Apparels Limited from Bank for Rs.601.46 lakhs and its associate, KG Fabriks Limited from bank for Rs.300.00 lakhs. However, the terms and conditions of the guarantee are not prima facie prejudicial to the interest of the Company.

XVI. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

XVII. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short term basis that have been used for long term investment.

XVIII. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

XIX. The Company has not raised any debentures during the financial year and hence creation of security in respect of debentures does not arise.

XX. The Company has not raised any money through a public issue during the year.

XXI. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

CA. R MAHADEVAN
Partner
Membership No.27497
Firm Regn. No.000960S

Coimbatore
27.05.2011

K G DENIM LIMITED

BALANCE SHEET AS AT 31st MARCH 2011

| PARTICULARS | SCHEDULE | AS AT 31.03.2011 | ASAT 31.03.2010 |
|---|----------|---------------------|--------------------|
| (Rs.000's) | | | |
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 1 | 25 66 51 | 25 66 51 |
| Reserves & Surplus | 2 | 21 51 85 | 17 02 04 |
| | | <u>47 18 36</u> | <u>42 68 55</u> |
| LOAN FUNDS | | | |
| Secured Loans | 3 | 1 07 74 51 | 1 11 92 27 |
| Unsecured Loans | 4 | 4 63 60 | 5 43 33 |
| | | <u>1 12 38 11</u> | <u>1 17 35 60</u> |
| Deferred Tax Liability (Net) | | 10 63 16 | 8 40 80 |
| Total | | <u>1 70 19 63</u> | <u>1 68 44 95</u> |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 5 | 2 16 22 36 | 2 18 42 86 |
| Less : Depreciation | | <u>1 15 96 85</u> | <u>1 06 31 96</u> |
| Net Block | | 1 00 25 51 | 1 12 10 90 |
| Capital Work in Progress | | 1 03 43 | 12 47 |
| INVESTMENTS | 6 | 5 31 63 | 5 31 68 |
| NET CURRENT ASSETS | | | |
| Current Assets, Loans & Advances | | | |
| Inventories | 7 | 81 87 62 | 63 49 38 |
| Trade Debtors | 8 | 27 48 79 | 31 29 11 |
| Cash and Bank Balances | 9 | 6 24 14 | 6 38 75 |
| Loans & Advances | 10 | 24 23 74 | 17 20 63 |
| Income Receivable | | <u>5 90 82</u> | <u>2 97 52</u> |
| | | 1 45 75 11 | 1 21 35 39 |
| Less : Current Liabilities & Provisions | | | |
| Current Liabilities | 11 | 78 92 04 | 68 99 23 |
| Provisions | 12 | <u>3 24 01</u> | <u>1 46 26</u> |
| | | <u>63 59 06</u> | <u>50 89 90</u> |
| Total | | <u>1 70 19 63</u> | <u>1 68 44 95</u> |
| Notes on Accounts | 20 | | |

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

CA. R MAHADEVAN
Partner

Coimbatore
27th May, 2011

Membership No.27497
Firm Regn. No.000960S

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY
Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI
Managing Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

| PARTICULARS | SCHEDULE | 31.03.2011 | 31.03.2010 |
|---|----------|-------------------|-------------------|
| (Rs.000's) | | | |
| INCOME | | | |
| Sales (Gross/Net) | 13 | 3 27 23 48 | 2 58 50 64 |
| Increase / Decrease in Stock | 15 | 2 60 83 | -5 57 30 |
| | | <u>3 29 84 31</u> | <u>2 52 93 34</u> |
| Jobwork Receipts (TDS Rs.29,75,434/-) | | 15 78 46 | 10 51 91 |
| Other Income | 14 | 4 87 50 | 5 19 15 |
| | | <u>3 50 50 27</u> | <u>2 68 64 40</u> |
| EXPENDITURE | | | |
| Material Cost | 16 | 2 13 62 96 | 1 55 46 47 |
| Manufacturing Cost | 17 | 55 11 98 | 40 47 47 |
| Other Operating Expenses | 18 | 42 64 22 | 38 17 93 |
| | | <u>3 11 39 16</u> | <u>2 34 11 87</u> |
| GROSS PROFIT | | | |
| | | 39 11 11 | 34 52 53 |
| Less: Financial Charges | 19 | 19 13 82 | 19 64 89 |
| Loss/Gain on variation in Foreign Exchange Rate (Net) | | 3 60 | 1 00 58 |
| Depreciation | | 12 93 14 | 12 90 45 |
| | | <u>7 00 55</u> | <u>96 61</u> |
| PROFIT FOR THE YEAR | | | |
| Less : Prior Year Expenses / Income (Net) | | 19 54 | 2 46 |
| Provision for Current Tax | | 1 38 29 | 14 15 |
| Provision for Wealth Tax | | 61 | 68 |
| Provision for Deferred Tax | | 2 22 36 | -25 40 |
| MAT Credit Entitlement | | -1 35 05 | -14 15 |
| Prior Year Taxes | | 4 99 | 1 01 93 |
| | | <u>4 49 81</u> | <u>16 94</u> |
| NET PROFIT | | 4 49 81 | 16 94 |
| Add: Balance Brought forward | | -2 98 11 | -3 15 05 |
| | | <u>1 51 70</u> | <u>-2 98 11</u> |
| Balance Transferred to Balance Sheet | | 1 51 70 | -2 98 11 |
| Basic & Diluted Earnings per Share Face Value Rs.10 per Share | | 1.75 | 0.07 |
| Weighted Number of Equity Shares | | 25 65 39 05 | 25 65 39 05 |
| Notes on Accounts | 20 | | |

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

CA. R MAHADEVAN
Partner

Coimbatore
27th May, 2011

Membership No.27497
Firm Regn. No.000960S

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY
Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI
Managing Director

K G DENIM LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011

| PARTICULARS | 31.03.2011 | 31.03.2010 |
|---|------------------|------------------|
| | (Rs.000's) | |
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net profit before tax and extraordinary items | 7 00 55 | 96 61 |
| Adjustments for: | | |
| Depreciation | 12 93 14 | 12 90 45 |
| Profit/Loss on sale of assets | 93 19 | 12 65 |
| Interest Charges | 19 13 82 | 19 64 89 |
| Operating Profit before working capital changes | 40 00 70 | 33 64 60 |
| Adjustments for: | | |
| Trade and other receivables | 3 80 32 | -6 83 67 |
| Inventories | -18 38 24 | 29 00 |
| Loans & Advances | -7 03 11 | 5 58 27 |
| Income Receivables | -2 93 30 | -15 21 |
| Current Liabilities | 11 70 55 | -1 99 02 |
| Cash generated from operations | 27 16 92 | 30 53 97 |
| Cash flow before extraordinary items | 27 16 92 | 30 53 97 |
| Extraordinary items | -28 38 | -1 05 07 |
| Net cash from operating activities | 26 88 54 | 29 48 90 |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Withdrawn / Sale of fixed assets | 63 74 | 40 33 |
| Acquisitions of fixed assets | -3 55 63 | -1 45 10 |
| Investments | 5 | 4 |
| Net cash used in investing activities | -2 91 84 | -1 04 73 |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Repayment of term loan | -14 17 75 | -10 78 03 |
| From Short Term Loan | 3 98 | -1 87 |
| Bank Borrowings | 9 16 28 | 79 06 |
| Interest paid | -19 13 82 | -19 64 89 |
| Net cash used in financing activities | -24 11 31 | -29 65 73 |
| Net Increase in cash and cash equivalents | -14 61 | -1 21 56 |
| Cash and cash equivalents as at 1st April, 2010 (Opening Balance) | 6 38 75 | 7 60 31 |
| Cash and cash equivalents as at 31st March, 2011 (Closing Balance) | 6 24 14 | 6 38 75 |

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

CA. R MAHADEVAN
Partner

Coimbatore
27th May, 2011

Membership No.27497
Firm Regn. No.000960S

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY
Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI
Managing Director



SCHEDULES ANNEXED TO THE BALANCE SHEET AS AT 31ST MARCH, 2011 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

| PARTICULARS | AS AT 31.03.2011 | AS AT 31.03.2010 |
|--|---------------------|---------------------|
| | (Rs.000's) | |
| SCHEDULE 1 : SHARE CAPITAL | | |
| Authorised Capital | | |
| 31000000 Equity Shares of Rs.10 each | 31 00 00 | 31 00 00 |
| 1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each | <u>10 00 00</u> | <u>10 00 00</u> |
| Issued Capital | | |
| 25691305 Equity Shares of Rs.10 each | <u>25 69 13</u> | <u>25 69 13</u> |
| Subscribed and Paid up Capital | | |
| 25653905 Equity Shares of Rs.10 each | 25 65 39 | 25 65 39 |
| Add: Forfeited Shares | <u>1 12</u> | <u>1 12</u> |
| | <u>25 66 51</u> | <u>25 66 51</u> |
| SCHEDULE 2 : RESERVES & SURPLUS | | |
| Share Premium | 4 44 44 | 4 44 44 |
| General Reserve | 15 55 71 | 15 55 71 |
| Less: Debit balance in Profit and Loss Account | <u>-</u> | <u>(-) 2 98 11</u> |
| Surplus in Profit and Loss Account | <u>1 51 70</u> | <u>-</u> |
| | <u>21 51 85</u> | <u>17 02 04</u> |
| SCHEDULE 3 : SECURED LOANS | | |
| Rupee Term Loans | 56 23 51 | 69 57 55 |
| Working Capital Loans from Banks | <u>51 51 00</u> | <u>42 34 72</u> |
| | <u>1 07 74 51</u> | <u>1 11 92 27</u> |
| SCHEDULE 4 : UNSECURED LOANS | | |
| From Banks | 6 31 | 51 49 |
| Inter Corporate Deposits | 4 00 00 | 4 83 71 |
| From Others | <u>57 29</u> | <u>8 13</u> |
| | <u>4 63 60</u> | <u>5 43 33</u> |



| PARTICULARS | AS AT 31.03.2011 | AS AT 31.03.2010 |
|--|---------------------|---------------------|
| | (Rs.000's) | |
| SCHEDULE 8 : TRADE DEBTORS | | |
| Unsecured - Considered Good | | |
| Outstanding for More than Six Months | 2 88 20 | 4 95 20 |
| Others | <u>24 60 59</u> | <u>26 33 91</u> |
| | <u>27 48 79</u> | <u>31 29 11</u> |
| SCHEDULE 9 : CASH AND BANK BALANCES | | |
| Cash and Cheques in Hand | 55 67 | 14 13 |
| Bank Balances (with Scheduled Banks) | | |
| In Current Accounts | 1 36 00 | 2 17 27 |
| In Deposit Accounts | <u>4 32 47</u> | <u>4 07 35</u> |
| | <u>6 24 14</u> | <u>6 38 75</u> |
| SCHEDULE 10 : LOANS AND ADVANCES | | |
| Unsecured Considered Good: | | |
| Advances Recoverable in cash or in kind or for value to be received | | |
| For Capital Goods | 2 07 25 | 1 01 27 |
| For Materials Purchases | 12 18 11 | 7 95 93 |
| For Duties & Taxes | 4 62 99 | 1 61 42 |
| For Subsidy Receivable from Govt Agencies | 2 61 19 | 2 79 12 |
| For Expenses / Others | 1 15 23 | 1 89 14 |
| Advances to Subsidiary Companies | 2 20 | 90 |
| Deposits | 44 75 | 50 22 |
| Prepaid Expenses | 1 12 02 | 1 42 63 |
| | <u>24 23 74</u> | <u>17 20 63</u> |
| SCHEDULE 11 : CURRENT LIABILITIES | | |
| Creditors for Capital Goods | 33 38 | 47 79 |
| Creditors for Purchases (Other than SSI) | 67 35 86 | 56 30 37 |
| Creditors for Purchases (For SSI Units) | 69 36 | 59 90 |
| Liability for Expenses | 9 71 11 | 10 18 07 |
| Liability for Other Finances | 30 71 | 45 68 |
| Customers Credit Balances | 51 62 | 30 79 |
| Investor Education and Protection Fund shall be credited by the following amount namely @ | | |
| Unpaid (Unclaimed) Matured Debentures | - | 40 92 |
| Unpaid (Unclaimed) Interest on Debentures | - | 25 71 |
| @ The amount of Rs.49.33 lakhs representing unpaid matured debentures and interest accrued thereon has been transferred to Investor Education and Protection Fund on 08.07.2010. | | |
| | <u>78 92 04</u> | <u>68 99 23</u> |
| SCHEDULE 12 : PROVISIONS | | |
| For Income Tax | 1 52 44 | 14 15 |
| For Wealth Tax | 61 | 68 |
| For Gratuity | 1 70 96 | 1 31 43 |
| | <u>3 24 01</u> | <u>1 46 26</u> |

K G DENIM LIMITED

| PARTICULARS | 31.03.2011 | 31.03.2010 |
|---|-------------------|-------------------|
| | (Rs.000's) | |
| SCHEDULE 13 : SALES | | |
| Fabrics | 2 97 57 25 | 2 31 26 61 |
| Garments | 25 32 56 | 24 23 01 |
| Yarn | 1 86 77 | 1 02 18 |
| Waste\Others | 2 46 90 | 1 98 84 |
| | <u>3 27 23 48</u> | <u>2 58 50 64</u> |
| SCHEDULE 14 : OTHER INCOME | | |
| Interest Receipts (TDS - Rs.3,18,238/-) | 42 29 | 49 18 |
| Interest Subsidy Receipts | 2 84 04 | 3 32 22 |
| Insurance Claims Received | 6 30 | 2 87 |
| Exchange Gain on Export Sales | 43 82 | - |
| Dividend Receipts | 29 | 13 |
| Miscellaneous Receipts | 87 14 | 49 63 |
| Supplier Credits No Longer payable | 23 62 | 85 12 |
| | <u>4 87 50</u> | <u>5 19 15</u> |
| SCHEDULE 15 : INCREASE IN STOCK | | |
| Closing Stock of Finished Goods | 35 30 43 | 32 69 60 |
| Opening Stock of Finished Goods | 32 69 60 | 38 26 90 |
| | <u>2 60 83</u> | <u>-5 57 30</u> |
| SCHEDULE 16 : MATERIAL COST | | |
| Raw Materials Consumed | | |
| Opening Stock of Raw Materials | 12 41 86 | 11 12 48 |
| Process Stock | 6 52 14 | 5 29 89 |
| Waste | 4 65 | 4 73 |
| | <u>18 98 65</u> | <u>16 47 10</u> |
| Add: Purchases | 1 50 39 37 | 1 01 97 99 |
| | <u>1 69 38 02</u> | <u>1 18 45 09</u> |
| Less: Closing Stock of Raw Materials | 21 67 61 | 12 41 86 |
| Process Stock | 10 34 07 | 6 52 14 |
| Waste | 12 20 | 4 65 |
| | <u>1 37 24 14</u> | <u>99 46 44</u> |
| Fabrics / Garments Purchases / Consumption | | |
| Opening Process Stock | 4 75 99 | 3 68 96 |
| Add : Purchases | 42 87 23 | 25 11 42 |
| | <u>47 63 22</u> | <u>28 80 38</u> |
| Less : Closing Process Stock | 7 20 40 | 4 75 99 |
| | <u>40 42 82</u> | <u>24 04 39</u> |
| Chemicals Consumed | 28 03 32 | 24 87 13 |
| Stores Consumed | 7 92 68 | 7 08 51 |
| Total Material Cost | <u>2 13 62 96</u> | <u>1 55 46 47</u> |



| PARTICULARS | 31.03.2011 | 31.03.2010 |
|-------------|------------|------------|
|-------------|------------|------------|

(Rs.000's)

SCHEDULE 17 : MANUFACTURING COST

| | | |
|---|-----------------|-----------------|
| Power and Fuel | 27 31 81 | 20 67 66 |
| Personnel Cost: (Including Managerial Remuneration) | | |
| Salaries, Wages, Incentives, Gratuity etc | 15 17 46 | 11 91 59 |
| Contribution to Provident Fund and Other Funds | 64 05 | 54 33 |
| Employees Welfare Expenditure | 1 27 19 | 93 97 |
| | <u>17 08 70</u> | <u>13 39 89</u> |
| Repairs and Maintenance | | |
| For Buildings | 67 05 | 39 01 |
| For Machinery | 7 28 35 | 4 57 15 |
| For Others | 2 72 01 | 1 39 20 |
| For Prayer Hall | 4 06 | 4 56 |
| | <u>10 71 47</u> | <u>6 39 92</u> |
| Total | <u>55 11 98</u> | <u>40 47 47</u> |

SCHEDULE 18 : OTHER OPERATING EXPENSES

| | | |
|--|-----------------|-----------------|
| Processing Charges | 22 98 11 | 20 04 28 |
| Rent | 42 34 | 30 03 |
| Printing and Stationery | 39 64 | 35 12 |
| Postage, Telegrams and Telephones | 99 13 | 1 20 69 |
| Professional and Legal Charges | 28 07 | 16 56 |
| Auditors' Remuneration | 4 47 | 2 89 |
| Insurance | 61 09 | 59 83 |
| Duties, Taxes and Licenses | 42 39 | 45 91 |
| Donations | 66 | 31 |
| Traveling Expenses and Maintenance of Vehicles | 2 16 02 | 1 87 77 |
| Brokerage | 23 35 | 25 04 |
| Commission on Sales | 2 85 60 | 2 55 68 |
| Discount on Sales | 2 67 85 | 2 26 74 |
| Selling Expenses | 2 23 65 | 2 71 15 |
| Advertisements | 4 27 | 13 57 |
| Freight Outwards | 2 48 98 | 2 90 84 |
| Directors Sitting Fees | 3 40 | 3 35 |
| Software Maintenance Expenses | 38 22 | 32 05 |
| Miscellaneous Expenses | 81 93 | 87 27 |
| Exchange Loss on Export Sales | 21 29 | 96 20 |
| Bad Debts Written off | 1 40 57 | - |
| Loss on Sale of Fixed Assets | 93 19 | 12 65 |
| | <u>42 64 22</u> | <u>38 17 93</u> |

SCHEDULE 19 : FINANCIAL CHARGES

| | | |
|-----------------------|-----------------|-----------------|
| Interest on:- | | |
| Term Loans | 7 41 03 | 8 66 60 |
| Other Loans | 18 40 | 50 71 |
| Working Capital Loans | 8 78 66 | 7 95 36 |
| Bank Charges | 2 75 73 | 2 52 22 |
| | <u>19 13 82</u> | <u>19 64 89</u> |

K G DENIM LIMITED

SCHEDULE 20 :

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2011

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 DISCLOSURE AND BASIS OF ACCOUNTING

- a) The financial statements have been prepared under the historical cost convention which is in accordance with the generally accepted accounting principles and provisions of the Companies Act, 1956. The Company has complied with the Accounting Standards prescribed by the Institute of Chartered Accountants of India and as referred u/s 211 (3C) of the Companies Act, 1956.
- b) The Company has been consistently following the accrual basis of accounting in respect of its Income and Expenditure.
- c) The Accounts are prepared on the basis of going concern concept.
- d) The presentation of financial statements require estimates and assumptions to be made which affect the reported amount of assets and liabilities on the date of the financial statement and the reported amount of revenue and expenditure during the reporting period.

1.2 VALUATION OF INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Waste stock is valued at net realizable value. The cost formula used for different inventories are as follows.

- | | | |
|--|---|----------------------------------|
| i) Cotton | - | On specific identification basis |
| ii) Grey Fabrics, Chemicals, Stores & Spares | - | At weighted average cost. |
| iii) Yarn, Finished Goods & Process Stock | - | At average cost. |

1.3 CASH FLOW STATEMENT

The Cash Flow Statement is prepared under indirect method as per the Institute of Chartered Accountants of India guidelines.

1.4 CONTINGENT LIABILITY

- a) Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.
- b) Contingent liability in respect of show cause notice received are considered only when they are converted into demand.

1.5 NET PROFIT FOR THE PERIOD AND PRIOR PERIOD ITEMS

- a) All items of income and expenses pertaining to the year are included in arriving at the net profit for the period unless specifically mentioned elsewhere in the financial statement or as required by Accounting Standards.
- b) Prior period items are disclosed separately in the Profit & Loss Account.

1.6 DEPRECIATION ACCOUNTING

Depreciation on fixed assets has been provided under straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. The Company uses both continuous process machines and general plant & machinery and other assets for which the respective applicable rates of depreciation as prescribed under Schedule XIV have been adopted.

1.7 RESEARCH AND DEVELOPMENT

Revenue expenditure, including overheads on Research and Development is charged out as an expense through the natural heads of account in the year in which incurred.

1.8 REVENUE RECOGNITION

- a) Revenue from sale transactions is recognized as and when the property in the goods sold is transferred to the buyer for a definite consideration and there is no uncertainty regarding the amount of consideration or collectability.
- b) Sales are reported at net of Sales Tax and Cess.
- c) Export sales are accounted inclusive of export benefits.
- d) Export incentives under DEPB license are accounted on accrual basis.
- e) Other incomes are also accounted on accrual basis.



1.9 ACCOUNTING FOR FIXED ASSETS

Fixed Assets are stated at cost of acquisition and / or construction. All costs relating to acquisition and installation of fixed assets are capitalized.

1.10 FOREIGN CURRENCY / CONVERSION / TRANSACTIONS

The export sales are converted at rates prevailing on the date of transaction, on the date of negotiation of export bills which approximates the actual rate prevailing on the date of the transaction and/or at forward contract rate, as the case may be. Foreign Currency liabilities are converted at the exchange rate prevailing on the last working day of the accounting year and/or on the forward Contractual rate, if so applicable. The net variation arising on account of such conversion in case of liabilities incurred for acquisition of fixed assets and other variations are charged to the statement of profit and loss. Monetary assets are converted at the exchange rate prevailing on the last day of the accounting year.

1.11 ACCOUNTING FOR INVESTMENTS

Long term investments are shown at cost. Permanent diminution in value, if any, will be written off in the year of diminution.

1.12 ACCOUNTING FOR EMPLOYEE RETIREMENT BENEFITS

- a) Contribution to Provident Fund has been made to the respective authorities.
- b) Short term employee benefits (other than termination benefits) which are payable within 12 months after the end of the period in which the employees render service are accounted on accrual basis. Company's contributions paid / payable during the year to Provident Fund and ESIC are recognized in the profit and loss account. All leave encashment dues for the year are settled within the same year.
- c) Gratuity liability as per the Actuarial Valuation has been provided in the accounts as at the year end.

1.13 BORROWING COSTS

Borrowing costs that are attributable to the acquisition of construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

1.14 RELATED PARTY DISCLOSURES

The related party transactions are disclosed in the notes on accounts as per the Institute of Chartered Accountants of India guidelines.

1.15 EARNING PER SHARE

The Earnings considered in ascertaining the Company's earnings per share comprises of Net Profit after tax and includes post tax adjustments, prior period and extra-ordinary items.

1.16 ACCOUNTING FOR TAXES ON INCOME

Deferred tax arising out of timing differences between book and tax profits is accounted under liability method at current rate of tax to the extent the timing difference is to be crystallized.

1.17 RECOGNITION OF IMPAIRMENT OF ASSETS

The company recognises impairment losses in the year in which the assets are identified as impaired: Impairment losses are measured as the excess of carrying amount of an asset over its recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and its value in use.

K G DENIM LIMITED

2 NOTES ON ACCOUNTS

2.1 CONTINGENT LIABILITY

| | 2010 - 2011 (Rs 000's) | 2009 - 2010 (Rs 000's) |
|---|---------------------------|---------------------------|
| a) Bills discounted with banks | 24 53 59 | 20 96 09 |
| b) Arrears of dividend on 10% Cumulative Redeemable Preference Shares (for the period 1st April 2005 to 31st March 2007) | 2 00 00 | 2 00 00 |
| c) Estimated amount of contracts remaining to be executed on capital account and not provided for | 3 40 43 | - |
| d) Disputed Excise Duties | 6 31 05 | 3 81 13 |
| e) Disputed Income Tax | 1 54 00 | - |
| f) Disputed Sales Tax (Paid Rs.4.45 Lakhs) | 10 18 | - |
| g) Guarantees given to Bank for loan to subsidiary | 6 01 46 | 6 02 46 |
| h) Guarantees given on behalf of Associates for fulfillment of their Export obligation under EPCG Scheme | 3 00 00 | 3 00 00 |

2.2 (i) BANK BORROWINGS

- a) Term loans from Indian Bank, Bank of India and Indian Overseas Bank are secured by a first pari passu charge on all plant and machineries, including machineries and other movable fixed assets (excluding vehicles charged to financiers) acquired for the Expansion cum Diversification Scheme (ECDS) and New Capex Plan through Deed of Hypothecation and a pari passu first charge on all immovable properties situated in (a) 102.1897 acres of land at Jadayampalayam, Alangombu and Karamadai villages in Mettupalayam Taluk, Coimbatore District, Tamil Nadu and (b) 2155.62 sq. meters of land at Amdha Village, Dharampur Taluk, Valsad District, Gujarat through equitable mortgage created with Indian Bank. Term loan from Indian Bank is further secured by a second pari passu charge on the current assets.

Term loan from State Bank of Hyderabad and State Bank of India are secured by a first pari passu charge on all plant and machineries and other movable assets (excluding vehicles charged to financiers) acquired for the Expansion cum Diversification Scheme (ECDS) through Deed of Hypothecation and a pari passu first charge on immovable properties in 48.5872 acres of land at Jadayampalayam, Alangombu and Karamadai Villages in Mettupalayam Taluk, Coimbatore District, Tamil Nadu.

Indian Bank is holding the original title deeds on its own behalf and on behalf of other Banks. Term loans are also guaranteed by Shri KG Baalakrishnan.

- b) Working capital facilities from Indian Bank Consortium (Indian Bank, Bank of India, Allahabad Bank and State Bank of India) are secured by a first pari passu charge on the whole of current assets and second pari passu charge on all the immovable properties and plant and machineries (excluding vehicles charged to financiers). Additional Packing Credit facility from Allahabad Bank is secured by exclusive charge on raw materials purchased out of the facility. The entire working capital facilities are also guaranteed by Shri KG Baalakrishnan.

| | 2010-2011 (Rs.000's) | 2009-2010 (Rs.000's) |
|---|-------------------------|-------------------------|
| c) Personal Guarantees given by Directors for loans obtained by the Company | 2 02 35 00 | 2 00 15 00 |
| d) Future hire purchase charges on vehicle hire purchase loans | | |
| i) Not later than one year | 26 92 | 3 61 |
| ii) Later than one year and not later than five years | 30 37 | 4 52 |
| | <u>57 29</u> | <u>8 13</u> |

- 2.3 The Company has investment of Rs.200 Lakhs in the shares of M/s Trigger Apparels Limited (TAL), a wholly owned subsidiary of the company. Further the company has receivables to the extent of Rs.663 Lakhs recoverable from TAL. The networth of TAL has eroded due to trading losses, However, considering the fact that the investment is strategic in nature and steps being taken by the company to improve the performance of TAL, no provision is considered necessary by the management for both diminution in value of shares and receivable.



2.4 In accordance with the revised Accounting Standard AS - 15, details of actuarial provision are given below which is certified by the actuary and relied upon by the auditors though the company has provided the liability in accounts, to meet its liability from internal generation.

| I. | Principal Actuarial Assumptions | 31.03.2011 | 31.03.2010 |
|-------|---|-------------------|-------------------|
| | (Expressed as weighted averages) | | |
| | Discount Rate | 8.00 % | 8.00 % |
| | Salary Escalation Rate | 8.00 % | 8.00 % |
| | Attrition Rate | 5.00 % | 5.00 % |
| | Expected Rate of Return on Plan Assets | 0.00 % | 0.00 % |
| II. | Changes in the present value of the obligation (PVO) - | (Rs.000's) | (Rs.000's) |
| | Reconciliation of Opening and Closing Balances | | |
| | PVO as at the beginning of the period | 13,143 | 9,905 |
| | Interest Cost | 1,034 | 774 |
| | Current Service Cost | 3,275 | 2,518 |
| | Past Service Cost - (Non Vested Benefits) | 0 | 0 |
| | Past Service Cost - (Vested Benefits) | 1,693 | 0 |
| | Benefits Paid | (435) | (457) |
| | Actuarial Loss / (Gain) on obligation (Balancing Figure) | (1,615) | 403 |
| | PVO as at the end of the period | 17,096 | 13,143 |
| III. | Changes in the fair value of plan assets - | (Rs.000's) | (Rs.000's) |
| | Reconciliation of Opening and Closing Balances | | |
| | Fair Value of plan assets as at the beginning of the period | 0 | 0 |
| | Expected return on plan assets | 0 | 0 |
| | Contributions | 435 | 457 |
| | Benefits Paid | (435) | (457) |
| | Actuarial Gain / (Loss) on plan assets (Balancing Figure) | 0 | 0 |
| | Fair Value of plan assets as at the end of the period | 0 | 0 |
| IV. | Actual return on plan assets | (Rs.000's) | (Rs.000's) |
| | Expected return on plan assets | 0 | 0 |
| | Actuarial Gain / (Loss) on plan assets | 0 | 0 |
| | Actual return on plan assets | 0 | 0 |
| V. | Actuarial Gain / Loss recognised | (Rs.000's) | (Rs.000's) |
| | Actuarial Gain / (Loss) for the period - Obligation | 1,616 | (403) |
| | Actuarial Gain / (Loss) for the period - plan assets | 0 | 0 |
| | Total Gain / (Loss) for the period | (1,616) | 403 |
| | Actuarial Gain / (Loss) recognised in the period | (1,616) | 403 |
| | Unrecognised actuarial (Gain) / Loss at the end of the year | 0 | 0 |
| VI. | Amounts recognised in the balance sheet and related analyses | (Rs.000's) | (Rs.000's) |
| | Present Value of the obligation | 17,096 | 13,143 |
| | Fair Value of plan assets | 0 | 0 |
| | Difference | 17,096 | 13,143 |
| | Unrecognised transitional liability | 0 | 0 |
| | Unrecognised past service cost-non vested benefits | 0 | 0 |
| | Liability recognised in the balance sheet | 17,096 | 13,143 |
| VII. | Expenses recognised in the statement of profit and loss | (Rs.000's) | (Rs.000's) |
| | Current Service Cost | 3,276 | 2,518 |
| | Interest Cost | 1,034 | 774 |
| | Expected return on plan assets | 0 | 0 |
| | Net actuarial (Gain) / Loss recognised in the year | (1,616) | 403 |
| | Transitional Liability recognised in the year | 0 | 0 |
| | Past Service Cost - Non-Vested Benefits | 0 | 0 |
| | Past Service Cost - Vested Benefits | 1,693 | 0 |
| | Expenses recognised in the statement of profit and loss | 4,388 | 3,695 |
| VIII. | Movements in the Liability recognised in the balance sheet | (Rs.000's) | (Rs.000's) |
| | Opening net liability | 13,143 | 9,905 |
| | Expense as above | 4,388 | 3,695 |
| | Contribution paid | (435) | (457) |
| | Closing net liability | 17,096 | 13,143 |

K G DENIM LIMITED

Annexure to Notes on Accounts:-

2.5 Managerial remuneration under Section 198 of the Companies Act, 1956 paid or payable during the financial year

| | 2010-2011 (Rs.000's) | 2009-2010 (Rs.000's) |
|-------------------------------|-------------------------|-------------------------|
| Salaries and allowances (Rs.) | 64 83 | 60 25 |
| Contribution to PF | 1 16 | 1 14 |
| Total | 65 99 | 61 39 |

2.6 Computation of Net Profit in accordance with Section 198 read with Section 309 (5) of the Companies Act, 1956

| | | |
|--|--------------|--------------|
| Profit before Taxation | 7 00 55 | 96 61 |
| Add : Depreciation as per Accounts | 12 93 14 | 12 90 45 |
| Loss on sales of Fixed Assets | 93 19 | 12 65 |
| Bad Debts written off | 1 40 57 | - |
| Managerial Remuneration | 65 51 | 61 39 |
| | 22 92 96 | 14 61 10 |
| Less: Depreciation as per Section 350 of Companies Act, 1956 | 12 93 14 | 12 90 45 |
| Suppliers credit balances written back | 23 62 | 85 12 |
| Prior year & Preliminary Expenses | 19 54 | 2 46 |
| Net Profit for the year | 9 56 66 | 83 07 |
| Loss brought forward from previous year | -33 18 38 | -34 01 45 |
| Loss carried over to next year | -23 61 72 | -33 18 38 |
| Minimum Remuneration to Managing Directors | 48 00 | 48 00 |
| Minimum Remuneration to other Executive Directors | 17 99 | 13 39 |
| Total Managerial Remuneration | 65 99 | 61 39 |

2.7 Licensed and Installed Capacities :

| | | |
|----------------------------|-----------|-----------|
| Licensed Capacity : | NA | NA |
| Installed Capacity : Looms | 160 Looms | 183 Looms |
| Stenters | 3 Nos | 3 Nos |

2.8 Particulars of Production, Sales & Stock

| Particulars of Production : | Qty | Qty |
|-----------------------------|-------------|-------------|
| Cloth (Mtrs) | 2 40 59 925 | 2 29 29 847 |
| * Waste (Kgs.) | 12 90 334 | 12 53 367 |
| Terry Towel (Kgs.) | 69 572 | - |
| ** Garments (Nos.) | 5 82 103 | 6 32 246 |

Note : * Waste Production is net of issue of reused waste in cotton/yarn/fabrics for production.

** Converted on job work basis by outsiders

2.9 Particulars of Sales:

| | Qty | 2010-2011 Amount (Rs.000's) | Qty | 2009-2010 Amount (Rs.000's) |
|------------------|-------------|-----------------------------------|-------------|-----------------------------------|
| Cloth Mtrs. | 2 36 90 717 | 2 95 84 97 | 2 32 73 679 | 2 31 26 61 |
| Yarn Kgs. | 2 01 820 | 1 86 77 | 1 47 941 | 1 02 18 |
| Waste* Kgs. | 11 56 936 | 2 46 90 | 12 17 260 | 1 98 84 |
| Terry Towel Kgs. | 58 102 | 1 72 28 | - | - |
| Garments Nos. | 6 18 752 | 25 32 56 | 5 82 094 | 24 23 01 |
| | | 3 27 23 48 | | 2 58 50 64 |

* Sales includes samples and loss

2.10 Particulars of Opening Stock:

| | | | | |
|--------------------|-----------|-----------------|-----------|-----------------|
| Cloth Mtrs. | 23 88 145 | 27 04 48 | 34 95 826 | 35 83 47 |
| Garments Nos. | 1 10 368 | 3 13 91 | 58 779 | 1 04 20 |
| Garment in process | - | 2 51 21 | - | 1 39 23 |
| | | 32 69 60 | | 38 26 90 |
| Waste Kgs. | 44 685 | 4 65 | 43 039 | 4 73 |
| | | 32 74 25 | | 38 31 63 |



| | Qty | 2010-2011 Amount (Rs.000's) | Qty | 2009-2010 Amount (Rs.000's) |
|---|------------|-----------------------------------|------------|-----------------------------------|
| 2.11 Particulars of Closing Stock: | | | | |
| Cloth Mtrs. | 21 47 197 | 31 11 67 | 23 88 145 | 27 04 48 |
| Garments Nos. | 79 127 | 3 05 05 | 1 10 368 | 3 13 91 |
| Garment in process | - | 83 55 | - | 2 51 21 |
| Terry Towel Kgs. | 11 470 | <u>30 16</u> | - | - |
| | | 35 30 43 | | 32 69 60 |
| Waste Kgs. | 1 17 905 | <u>12 20</u> | 44 685 | <u>4 65</u> |
| | | <u>35 42 63</u> | | <u>32 74 25</u> |
| 2.12 Particulars of Purchases: | | | | |
| * Cloth Mtrs. | - | 42 32 83 | - | 25 08 79 |
| Garments Nos. | 54 08 | <u>54 40</u> | 14 37 | <u>2 63</u> |
| | | <u>42 87 23</u> | | <u>25 11 42</u> |
| * Subject to further processing and included in production. | | | | |
| 2.13 Raw Materials Consumed | | | | |
| Cotton Kgs | 41 82 616 | 44 46 96 | 44 78 349 | 30 95 99 |
| Yarn Kgs | 64 43 705 | 92 77 18 | 58 33 658 | 68 50 45 |
| Fabric Mtrs. | 40 28 445 | 40 42 82 | 33 75 950 | 24 04 39 |
| 2.14 Consumption | | | | |
| | % | 2010-2011 (Rs.000's) | % | 2009-2010 (Rs.000's) |
| Raw Materials - Imported | 2 | 2 09 83 | 5 | 5 13 32 |
| Indigenous | <u>98</u> | <u>1 35 14 31</u> | <u>95</u> | <u>94 33 12</u> |
| | <u>100</u> | <u>1 37 24 14</u> | <u>100</u> | <u>99 46 44</u> |
| Fabric consumed - Imported | 7 | 2 78 44 | 15 | 3 61 44 |
| Fabric consumed - Indigenous | <u>93</u> | <u>37 64 38</u> | <u>85</u> | <u>20 42 95</u> |
| | <u>100</u> | <u>40 42 82</u> | <u>100</u> | <u>24 04 39</u> |
| Chemicals - Imported | 18 | 5 09 82 | 27 | 6 60 24 |
| Indigenous | <u>82</u> | <u>22 93 50</u> | <u>73</u> | <u>18 26 89</u> |
| | <u>100</u> | <u>28 03 32</u> | <u>100</u> | <u>24 87 13</u> |
| Stores & Spares - Imported | 35 | 2 78 44 | 10 | 70 51 |
| Indigenous | <u>65</u> | <u>5 14 24</u> | <u>90</u> | <u>6 38 00</u> |
| | <u>100</u> | <u>7 92 68</u> | <u>100</u> | <u>7 08 51</u> |
| 2.15 Value of Imports on CIF basis | | | | |
| I Raw Materials | | 4 88 27 | | 8 74 76 |
| II Chemicals | | 5 09 82 | | 6 60 24 |
| III Spares & Components | | 2 78 44 | | 70 51 |
| IV Capital Goods | | <u>71 76</u> | | <u>2 21</u> |
| | | <u>13 48 29</u> | | <u>16 07 72</u> |
| 2.16 Expenditure in Foreign Currency | | | | |
| Commission | | 2 59 26 | | 2 00 50 |
| Advertisement and Trade Fair | | 34 57 | | 51 46 |
| Traveling etc., | | 29 32 | | 41 41 |
| Testing Charges | | 9 91 | | 4 20 |
| Office Rent / Rent Advance | | <u>11 01</u> | | <u>3 73</u> |
| | | <u>3 44 07</u> | | <u>3 01 30</u> |

K G DENIM LIMITED

| | 2010-2011 (Rs.000's) | 2009-2010 (Rs.000's) |
|--|-------------------------|-------------------------|
| 2.17 Earnings in Foreign Currency (FOB) | | |
| Export of goods on Direct Export | 1 06 53 19 | 85 71 21 |
| 2.18 Auditors Remuneration | | |
| For Audit | 2 00 | 1 32 |
| For Tax Audit | 66 | 66 |
| For Other Services | <u>1 81</u> | <u>91</u> |
| | <u>4 47</u> | <u>2 89</u> |

2.19 The manufacture and sale of fabrics and apparels in which the company is mainly engaged, considering the nature of business, is only a single reportable segment as Textiles. Hence the Board has decided to report the same as single segment from 2010-2011 onwards.

2.20 Accounting Standard AS - 18 on "Related Party Disclosure" (Rs.000's)

| Particulars | 2010-2011 | | | | 2009-2010 | | | |
|-----------------------------|------------|------------|--------------------------|--------------------------------------|------------|------------|--------------------------|--------------------------------------|
| | Subsidiary | Associates | Key Management Personnel | Relative of Key Management Personnel | Subsidiary | Associates | Key Management Personnel | Relative of key Management Personnel |
| Purchase of goods | 2501 | 29 | - | - | - | 1101 | - | - |
| Sale of goods | 63975 | 4618 | - | - | 67397 | - | - | - |
| Conversion Charges paid | - | 129362 | - | - | - | 133259 | - | - |
| Processing Charges paid | - | 3527 | - | - | - | 286 | - | - |
| Service Charges paid | - | 3704 | - | - | - | 3205 | - | - |
| Processing Charges Received | 19051 | 462 | - | - | 21834 | - | - | - |
| Investments | - | - | - | - | - | - | - | - |
| Loans and advances paid | 130 | - | - | - | - | - | - | - |
| Managerial Remuneration | - | - | 6551 | - | - | - | 6139 | - |
| Share of Profit | - | - | - | - | - | - | - | - |



2.21 Balance outstanding as on 31.03.2011

(Rs.000's)

| Particulars | 2010-11 | | | | 2009-2010 | | | |
|--------------------|------------|------------|--------------------------|--------------------------------------|------------|------------|--------------------------|--------------------------------------|
| | Subsidiary | Associates | Key Management Personnel | Relative of Key Management Personnel | Subsidiary | Associates | Key Management Personnel | Relative of key Management Personnel |
| Debtors | 66261 | 1253 | - | - | 117287 | 482 | - | - |
| Creditors | - | 46668 | - | - | - | 53532 | - | - |
| Investments | 20031 | 32700 | - | - | 20031 | 32700 | - | - |
| Loans and advances | 220 | - | - | - | 90 | - | - | - |

2.22 NOTE :

| | |
|--------------------------------------|--|
| Subsidiary | Trigger Apparels Limited KG Denim (USA) Inc |
| Associates | Sri Kannapiran Mills Limited Sri Balamurugan Textile Processing Limited KG Fabriks Limited Enterprise Telesys Limited |
| Key Management Personnel | Shri KG Baalakrishnan Shri B Sriramulu Shri B Srihari Shri S Muthuswamy Shri A Velusamy |
| Relative of Key Management Personnel | Smt T Anandhi (Daughter of Shri KG Baalakrishnan) |

2.23 Major Components of Deferred Tax Assets and Deferred Tax Liabilities

(Rs.000's)

| Particulars | 2010-11 | | 2009-10 | |
|---|---------------------|--------------------------|---------------------|--------------------------|
| | Deferred Tax Assets | Deferred Tax Liabilities | Deferred Tax Assets | Deferred Tax Liabilities |
| Difference between value of Depreciation as per books of account and for tax purpose. | - | 148111 | - | 168122 |
| Carried forward loss | 41795 | - | 84042 | - |
| Total | 41795 | 148111 | 84042 | 168122 |
| Net Deferred tax Liability | - | 106316 | - | 84080 |

K G DENIM LIMITED

2.24 Pursuant to the Accounting Standard (AS-29) - Provisions, Contingent Liabilities and Contingent Assets, the disclosure relating to provisions made in the accounts for the year ended 31st March 2011 is as follows :

(Rs.000's)

| Particulars | Provision for Income Tax | | Provision for Wealth Tax | | Provision for Gratuity | |
|-----------------|--------------------------|---------|--------------------------|---------|------------------------|---------|
| | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
| Opening Balance | 1415 | 3942 | 68 | 74 | 13143 | 9905 |
| Additions | 13829 | 1415 | 61 | 68 | 4388 | 3695 |
| Utilisation | - | - | - | - | 435 | 457 |
| Reversals | - | 3942 | 68 | 74 | - | - |
| Closing Balance | 15244 | 1415 | 61 | 68 | 17096 | 13143 |

2.25 Prior Year Income / Expense (net) in Profit and Loss account consist of expenses of prior year Rs.19.56 Lakhs. (Previous Year Rs.2.60 Lakhs) and income of prior year amounting to Rs.0.02 Lakhs (Previous Year Rs.0.14 Lakhs).

2.26 a. Outstanding as referred to in Schedule 11 under Current Liability to Small Scale Industrial units is complied on the information made available to the Company. (Includes dues of Rs.43.30 Lakhs of more than 30 days and exceeding Rs.1.00 Lakhs to the following parties: Amaravathi Packs 5.64 Lakhs, Sri Abirami Tubes & Cones Rs. 6.25 lakhs, Nava Bharathi Packing Rs.2.84 lakhs, Acme Textiles Rs.16.32 Lakhs, Asmaco Industries Limited Rs.21.89Lakhs, Theiva Packs Rs.10.18 Lakhs, Super Poly Packs Rs.4.51 Lakhs & Expo Graphics Rs.1.73 Lakhs).

b. In the absence of necessary information with the Company, relating to the registration status of suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 the information required under the said Act could not be complied and disclosed.

2.27 The Company has assessed the recoverable value of its assets and which is higher than the carrying value, hence provision for impairment does not arise for the period.

2.28 The Company has opted for full excise duty exemption on its products. Hence no liability for duty arises and no Cenvat benefit claimed on inputs. The opening and closing stock consequently does not bear any liability for excise duty.

2.29 Previous year's figures have been regrouped wherever necessary.

2.30 Figures have been rounded off to the nearest thousands.

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

CA. R MAHADEVAN
Partner

Coimbatore
27th May, 2011

Membership No.27497
Firm Regn. No.000960S

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY
Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI
Managing Director



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No. - State Code

Balance Sheet Date 31st March 2011

II Capital Raised during the year (Rs. 000's)

Public Issue Rights Issue

Bonus Issue Private Placement

III Position of Mobilisation and Deployment of Funds (Rs. 000's)

Total Liabilities Total Assets

Sources of Funds

Application of Funds :

Paid-up Capital Net Fixed Assets

Reserves & Surplus Capital Work -in- Progress

Deferred Tax Liability (Net) Net Current Assets

Secured Loans Investments

Unsecured Loans Misc. Expenditure

IV Performance of Company (Rs.000's)

Turnover Total Expenditure

Profit/Loss Before Tax Profit/Loss After Tax

Earnings per Share (EPS) in Rs Dividend Rate %

V Generic names of three principal products/Services of Company (as per Monetary Terms)

| Item Code No. (ITC Code) | Product Description |
|---|----------------------|
| <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> | DENIM FABRICS |
| <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="0"/> | COTTON WOVEN FABRICS |
| <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="0"/> | 100% COTTON FABRICS |
| <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="0"/> | TERRY TOWELS |

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

KG BAALAKRISHNAN
Executive Chairman

B SRIRAMULU
Managing Director

CA. R MAHADEVAN
Partner

S MUTHUSWAMY
Director & Company Secretary

B SRIHARI
Managing Director

Coimbatore
27th May, 2011

Membership No.27497
Firm Regn. No.000960S

K G DENIM LIMITED

Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Company

| 1 | Name of Subsidiary Company | Trigger Apparels Ltd. | KG Denim (USA) Inc. | |
|---|--|---|--------------------------------------|--|
| 2 | The Financial Year of the Subsidiary Companies ended on | 31.03.2011 | 31.03.2011 | |
| 3 | Date from which they became Subsidiary Companies | 07.09.2005 | 06.07.2005 | |
| 4 | a | Number of shares held by K G Denim Ltd. in the Subsidiary as at the end of the financial year of the Subsidiary | 2000000 Equity Shares @ Rs.10/- each | 700 Nos shares of Common Stock with no par value |
| | b | Extent of Interest of holding Company at the end of the financial year of the Subsidiary Companies | 100% | 100% |
| 5 | Net Aggregate amount, so far as it concerns members of K G Denim Ltd and is not dealt with in the Company's accounts, of the Subsidiary's Profit\Losses | | | |
| | a | Loss for the Subsidiary's Financial Year ended 31st March, 2011 | Rs.68.42 Lakhs | Nil |
| | b | Loss for the previous years of the Subsidiary since it became the Subsidiary of K G Denim Ltd | Rs.411.62 Lakhs | Nil |
| 6 | Net aggregate amount of the profits \losses of the Subsidiary, so far as those profits\losses are dealt with, or provision is made for those losses in K G Denim Ltd's account | | | |
| | a | For the Subsidiary's financial year ended on 31st March, 2011 | Nil | Nil |
| | b | For its previous financial years since it became the Subsidiary of K G Denim Ltd | Nil | Nil |



AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF K G DENIM LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF K G DENIM LIMITED AND ITS SUBSIDIARIES

- 1 We have audited the attached Consolidated Balance Sheet of K G DENIM LIMITED and its subsidiaries as on 31st March 2011 and also the Consolidated Profit & Loss Account for the year ended on that date annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard - 21 'Consolidated Financial Statement' issued by the Institute of Chartered Accountants of India, on the basis of the individual financial statements of K G Denim Limited and its subsidiary companies included in the aforesaid consolidation.
- 4 Out of the two subsidiary companies, we have conducted the audit of Trigger Apparels Limited. As regards KG Denim (USA) Inc. the another subsidiary, which was incorporated in Delaware USA was not audited. We have been provided with Unaudited Financial affairs of the KG Denim (USA) Inc. In so far as it relates to the amounts included in respect of the said unaudited subsidiary is based solely on the financial affairs produced by the directors.
- 5 On the basis of the information and explanations given to us and on the consolidation of the separate Audit Reports on individual Audited Financial Statements of K G Denim Limited and one of its subsidiary Trigger Apparels Limited and the Unaudited Financial Statements of affairs of KG Denim (USA) Inc., we report that the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) In the case of Consolidated Balance Sheet, of the state of affairs of K G Denim Limited and its subsidiaries as at 31st March 2011;
 - (b) In the case of Consolidated Profit & Loss Account, of the Consolidated Results of operations of K G Denim Limited and its subsidiaries for the year ended on that date; and
 - (c) In the case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows of K G Denim Limited and its subsidiaries for the year ended on that date.

For Gopalaiyer and Subramanian
Chartered Accountants

CA. R MAHADEVAN
Partner

Membership No.27497
Firm Regn. No.000960S

Coimbatore
27.05.2011

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2011

| PARTICULARS | SCHEDULE | AS AT 31.03.2011 | ASAT 31.03.2010 |
|---|----------|---------------------|--------------------|
| (Rs.000's) | | | |
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 1 | 25 66 51 | 25 66 51 |
| Reserves & Surplus | 2 | <u>16 71 82</u> | <u>12 90 43</u> |
| | | <u>42 38 33</u> | <u>38 56 94</u> |
| LOAN FUNDS | | | |
| Secured Loans | 3 | 1 13 71 18 | 1 17 05 89 |
| Unsecured Loans | 4 | <u>4 87 93</u> | <u>5 72 25</u> |
| | | <u>1 18 59 11</u> | <u>1 22 78 14</u> |
| Deferred Tax Liability (Net) | | <u>8 83 52</u> | <u>6 80 29</u> |
| Total | | <u>1 69 80 96</u> | <u>1 68 15 37</u> |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 5 | 2 17 32 57 | 2 19 29 88 |
| Less : Depreciation | | <u>1 16 17 54</u> | <u>1 06 46 64</u> |
| Net Block | | <u>1 01 15 03</u> | <u>1 12 83 24</u> |
| Capital Work in Progress | | 1 03 43 | 12 47 |
| INVESTMENTS | 6 | 3 31 32 | 3 31 37 |
| NET CURRENT ASSETS | | | |
| Current Assets, Loans & Advances | | | |
| Inventories | 7 | 89 78 12 | 71 73 08 |
| Trade Debtors | 8 | 30 20 71 | 27 10 78 |
| Cash and Bank Balances | 9 | 6 63 74 | 6 85 00 |
| Loans & Advances | 10 | 25 36 75 | 19 40 66 |
| Income Receivable | | <u>5 90 82</u> | <u>2 97 52</u> |
| | | <u>1 57 90 14</u> | <u>1 28 07 04</u> |
| Less : Current Liabilities & Provisions | | | |
| Current Liabilities | 11 | 90 23 67 | 74 57 66 |
| Provisions | 12 | <u>3 36 60</u> | <u>1 62 30</u> |
| | | <u>64 29 87</u> | <u>51 87 08</u> |
| MISCELLANEOUS EXPENDITURE | 13 | 1 31 | 1 21 |
| (To the extent not written off or adjusted) | | | |
| Total | | <u>1 69 80 96</u> | <u>1 68 15 37</u> |
| Notes on Accounts | 21 | | |

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

CA. R MAHADEVAN
Partner

Coimbatore
27th May, 2011

Membership No.27497
Firm Regn. No.000960S

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY
Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI
Managing Director



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

| PARTICULARS | SCHEDULE | 31.03.2011 | 31.03.2010 |
|--|----------|-------------------|-------------------|
| (Rs.000's) | | | |
| INCOME | | | |
| Sales | 14 | 3 57 71 61 | 2 84 88 14 |
| NET SALES | | | |
| Increase in Stock | 16 | <u>3 99 29</u> | <u>-7 03 60</u> |
| | | 3 61 70 90 | 2 77 84 54 |
| Job work receipts | | 15 78 46 | 10 51 91 |
| Other Income | 15 | <u>5 05 10</u> | <u>5 28 66</u> |
| | | <u>3 82 54 46</u> | <u>2 93 65 11</u> |
| EXPENDITURE | | | |
| Material Cost | 17 | 2 30 95 32 | 1 68 52 64 |
| Manufacturing Cost | 18 | 56 70 54 | 41 84 28 |
| Other Operating Expenses | 19 | <u>55 72 14</u> | <u>49 68 40</u> |
| | | <u>3 43 38 00</u> | <u>2 60 05 32</u> |
| GROSS PROFIT | | <u>39 16 46</u> | <u>33 59 79</u> |
| Less: Financial Charges | 20 | 19 93 06 | 20 47 02 |
| Loss/Gain on variation in Foreign Exchange Rate(Net) | | 3 60 | 1 00 58 |
| Depreciation | | <u>12 99 14</u> | <u>12 96 83</u> |
| PROFIT / LOSS FOR THE YEAR | | <u>6 20 66</u> | <u>-84 64</u> |
| Less : Prior Year Income / Expenses (Net) | | 27 20 | 9 76 |
| Provision for Current Tax | | 1 38 29 | 14 15 |
| Provision for Wealth Tax | | 61 | 68 |
| Provision for Deferred Tax | | 2 03 23 | -63 40 |
| MAT credit Entitlement | | -1 35 05 | -14 15 |
| Prior Year Taxes | | <u>4 99</u> | <u>1 01 93</u> |
| NET PROFIT / LOSS | | <u>3 81 39</u> | <u>-1 33 61</u> |
| Add : Balance Brought forward | | <u>-7 09 72</u> | <u>-5 76 11</u> |
| Balance Transferred to Balance Sheet | | <u>-3 28 33</u> | <u>-7 09 72</u> |
| Basic & Diluted Earnings per Share of face value of Rs.10 each | | 1.49 | (0.52) |
| Weighted Number of Equity Shares | | 25653905 | 25653905 |
| Notes on Accounts | 21 | | |

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

CA. R MAHADEVAN
Partner

Coimbatore
27th May, 2011

Membership No.27497
Firm Regn. No.000960S

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY
Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI
Managing Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011

| PARTICULARS | 31.03.2011 | 31.03.2010 |
|---|----------------|----------------|
| | (Rs.000's) | |
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net profit / loss before tax and extraordinary items | 62066 | -8464 |
| Adjustments for: | | |
| Depreciation | 129914 | 129683 |
| Profit/Loss on sale of assets | 9319 | 1265 |
| Interest Charges | 199306 | 204702 |
| Operating Profit before working capital changes | 400605 | 327186 |
| Adjustments for: | | |
| Trade and other receivables | 20031 | -87385 |
| Inventories | -180504 | 16080 |
| Loans & Advances | -59739 | 46061 |
| Income Receivables | -29330 | -1521 |
| Current Liabilities | 123004 | 11081 |
| Cash generated from operations | 274067 | 311502 |
| Cash flow before extraordinary items | 274067 | 311502 |
| Extraordinary items | -3613 | -11301 |
| Net cash from operating activities | 270454 | 300201 |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Withdrawn / Sale of fixed assets | 6374 | 4033 |
| Acquisitions of fixed assets | -37880 | -14853 |
| Investments | 5 | 4 |
| Net cash used in investing activities | -31501 | -10816 |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Proceeds from long term borrowings | -141646 | -107739 |
| From Short Term Loan | -61 | 4851 |
| Bank Borrowings | 99934 | 7906 |
| Interest paid | -199306 | -204702 |
| Net cash used in financing activities | -241079 | -299684 |
| Net Increase in cash and cash equivalents | -2126 | -10299 |
| Cash and cash equivalents as at 1st April, 2010 (Opening Balance) | 68500 | 78799 |
| Cash and cash equivalents as at 31st March, 2011 (Closing Balance) | 66374 | 68500 |

As per our report of even dated

For **GOPALAIYER AND SUBRAMANIAN**
Chartered Accountants

CA. R MAHADEVAN
Partner

Coimbatore
27th May, 2011

Membership No.27497
Firm Regn. No.000960S

KG BAALAKRISHNAN
Executive Chairman

S MUTHUSWAMY
Director & Company Secretary

B SRIRAMULU
Managing Director

B SRIHARI
Managing Director



SCHEDULES ANNEXED TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011 AND CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

| PARTICULARS | AS AT | AS AT |
|--|-------------------|-------------------|
| | 31.03.2011 | 31.03.2010 |
| (Rs.000's) | | |
| SCHEDULE 1 : SHARE CAPITAL | | |
| Authorised Capital | | |
| 31000000 Equity Shares of Rs.10 each | 31 00 00 | 31 00 00 |
| 1000000 10% Cumulative Redeemable Preference Shares of Rs.100 each | <u>10 00 00</u> | <u>10 00 00</u> |
| Issued Capital | | |
| 25691305 Equity Shares of Rs.10 each | <u>25 69 13</u> | <u>25 69 13</u> |
| Subscribed and Paid up Capital | | |
| 25653905 Equity Shares of Rs.10 each | 25 65 39 | 25 65 39 |
| Add: Forfeited Shares | <u>1 12</u> | <u>1 12</u> |
| | <u>25 66 51</u> | <u>25 66 51</u> |
| SCHEDULE 2 : RESERVES & SURPLUS | | |
| Share Premium | 4 44 44 | 4 44 44 |
| General Reserve | 15 55 71 | 15 55 71 |
| Less: Debit(net) in Profit & Loss Account | <u>-3 28 33</u> | <u>-7 09 72</u> |
| | <u>16 71 82</u> | <u>12 90 43</u> |
| SCHEDULE 3 : SECURED LOANS | | |
| Rupee Term Loans | 56 23 51 | 69 57 55 |
| Working Capital Loans from Banks | 57 47 67 | 47 48 34 |
| | <u>1 13 71 18</u> | <u>1 17 05 89</u> |
| SCHEDULE 4 : UNSECURED LOANS | | |
| From Banks | 30 64 | 80 41 |
| Inter Corporate Deposits | 4 00 00 | 4 83 71 |
| From Others | <u>57 29</u> | <u>8 13</u> |
| | <u>4 87 93</u> | <u>5 72 25</u> |

SCHEDULE 5 : FIXED ASSETS

(Rs. 000's)

| Description of Assets | GROSS BLOCK | | | | DEPRECIATION BLOCK | | | | NET BLOCK | |
|-----------------------|----------------------|---------------------------|---------------------------------|----------------------------|--------------------|---------------------------|---------------------------|-----------------|-----------------|-----------------|
| | Cost as at 31.3.2010 | Additions during the year | Sales/ Transfer during the year | Total cost as at 31.3.2011 | Up to 31.3.2010 | Depreciation for the year | Withdrawn during the year | Up to 31.3.2011 | As at 31.3.2011 | As at 31.3.2010 |
| Land | 39069 | - | - | 39069 | - | - | - | - | 39069 | 39069 |
| Buildings | 267693 | 532 | - | 268225 | 65771 | 7820 | - | 73591 | 194634 | 201922 |
| Machinery | 1704342 | 14704 | 48081 | 1670965 | 900499 | 111848 | 32624 | 979723 | 691242 | 803843 |
| Electric Machinery | 93568 | 1768 | - | 95336 | 49434 | 4459 | - | 53893 | 41443 | 44134 |
| Office Equipments | 45223 | 1225 | - | 46448 | 30492 | 2447 | - | 32939 | 13509 | 14731 |
| Furniture & Fittings | 17097 | 2471 | - | 19568 | 6028 | 1026 | - | 7054 | 12514 | 11069 |
| Motor Vehicles | 25996 | 8086 | 436 | 33646 | 12440 | 2314 | 201 | 14554 | 19092 | 13556 |
| T o t a l | 2192988 | 28786 | 48517 | 2173257 | 1064664 | 129914 | 32825 | 1161754 | 1011503 | 1128324 |
| Previous Year | 2191589 | 13606 | 12207 | 2192988 | 941890 | 129683 | 6909 | 1064664 | 1128324 | 1249699 |

WORK IN PROGRESS

| Particulars | Opening Balance | Additions | Total | Brought into use | Closing Balance |
|-------------|-----------------|-----------|-------|------------------|-----------------|
| Buildings | 1247 | 9096 | 10343 | - | 10343 |

PARTICULARS

AS AT
31.03.2011

AS AT
31.03.2010

(Rs.000's)

SCHEDULE 6 : INVESTMENTS (At Cost)

Non Trade Investments - Quoted
Allahabad Bank

5265 Equity Shares of Rs. 10/- each

4 32

4 32

(Market Value Rs.12,14,635/-)

Trade Investments - Un Quoted

KG Fabriks Ltd

32,70,000 Equity Shares of Rs. 10/- each

3 27 00

3 27 00

National Savings Certificate

-

5

3 31 32

3 31 37

SCHEDULE 7 : INVENTORIES

Raw Materials

21 98 98

13 12 57

Process Stock

18 57 14

13 65 47

Finished Goods

41 45 83

37 46 54

Stock of Waste

12 20

4 65

Stock of Stores

7 63 97

7 43 85

(As taken, valued and certified by the Management)

89 78 12

71 73 08

SCHEDULE 8 : TRADE DEBTORS

Unsecured - Considered Good

Outstanding for More than Six Months

5 23 39

7 32 17

Others

24 97 32

19 78 61

30 20 71

27 10 78



| PARTICULARS | AS AT 31.03.2011 | AS AT 31.03.2010 |
|--|---------------------|---------------------|
| | (Rs.000's) | |
| SCHEDULE 9 : CASH AND BANK BALANCES | | |
| Cash and Cheques in Hand | 62 30 | 23 11 |
| Bank Balances (with Scheduled Banks) | | |
| In Current Accounts | 1 58 82 | 2 46 14 |
| In Deposit Accounts | <u>4 42 62</u> | <u>4 15 75</u> |
| | <u>6 63 74</u> | <u>6 85 00</u> |
| SCHEDULE 10 : LOANS AND ADVANCES | | |
| Unsecured Considered Good: | | |
| Advances Recoverable in cash or in kind or for value to be received | | |
| For Capital Goods | 2 07 25 | 1 01 27 |
| For Materials Purchases | 12 28 11 | 9 11 56 |
| For Duties & Taxes | 4 70 10 | 1 73 96 |
| For Subsidy Receivable from Govt Agencies | 2 61 19 | 2 79 12 |
| For Expenses/Others | 2 12 17 | 2 77 82 |
| Deposits | 45 22 | 50 47 |
| Prepaid Expenses | 1 12 71 | 1 46 46 |
| | <u>25 36 75</u> | <u>19 40 66</u> |
| SCHEDULE 11 : CURRENT LIABILITIES | | |
| Creditors for Capital Goods | 33 38 | 47 79 |
| Creditors for Purchases (Other than SSI) | 75 50 12 | 58 08 44 |
| Creditors for Purchases (For SSI Units) | 75 85 | 64 51 |
| Liability for Expenses | 10 59 49 | 10 77 57 |
| Liability for Other Finances | 2 04 42 | 2 07 54 |
| Customers Credit Balances | 1 00 41 | 1 85 18 |
| Investor Education and Protection Fund shall be credited by the following amount namely @ | | |
| Unpaid (Unclaimed) Matured Debentures | - | 40 92 |
| Unpaid (Unclaimed) Interest on Debentures | - | 25 71 |
| @ The amount of Rs.49.33 lakhs representing unpaid matured debentures and interest accrued thereon has been transferred to Investor Education and Protection Fund on 08.07.2010. | | |
| | <u>90 23 67</u> | <u>74 57 66</u> |
| SCHEDULE 12 : PROVISIONS | | |
| For Income Tax | 1 52 44 | 14 15 |
| For Wealth Tax | 61 | 68 |
| For Gratuity | <u>1 83 55</u> | <u>1 47 47</u> |
| | <u>3 36 60</u> | <u>1 62 30</u> |
| SCHEDULE 13 : MISCELLANEOUS EXPENDITURE | | |
| To the extent not written off or adjusted | 1 31 | 1 21 |

CONSOLIDATED FINANCIAL STATEMENTS K G DENIM LIMITED

| PARTICULARS | 31.03.2011 | 31.03.2010 |
|---|-------------------|-------------------|
| | (Rs.000's) | |
| SCHEDULE 14 : SALES | | |
| Fabrics | 2 97 57 25 | 2 31 40 27 |
| Garments | 55 69 89 | 49 57 33 |
| Yarn | 1 86 77 | 1 86 11 |
| Waste\Others | 2 57 70 | 2 04 43 |
| | <u>3 57 71 61</u> | <u>2 84 88 14</u> |
| SCHEDULE 15 : OTHER INCOME | | |
| Interest Receipts (TDS - Rs.3,18,238/-) | 42 66 | 49 25 |
| Interest Subsidy Receipts | 2 84 04 | 3 32 22 |
| Insurance Claims Received | 9 97 | 11 03 |
| Exchange Gain on Export Sales | 43 82 | - |
| Dividend Receipts | 29 | 13 |
| Miscellaneous Receipts | 1 00 70 | 50 91 |
| Supplier Credits No Longer payable | 23 62 | 85 12 |
| | <u>5 05 10</u> | <u>5 28 66</u> |
| SCHEDULE 16 : INCREASE IN STOCK | | |
| Closing Stock of Finished Goods | 41 45 83 | 37 46 54 |
| Opening Stock of Finished Goods | 37 46 54 | 44 50 14 |
| | <u>3 99 29</u> | <u>-7 03 60</u> |
| SCHEDULE 17 : MATERIAL COST | | |
| Raw Materials Consumed | | |
| Opening Stock of Raw Materials | 13 12 57 | 11 75 34 |
| Process Stock | 8 89 48 | 7 61 62 |
| Waste | 4 65 | 4 73 |
| | <u>22 06 70</u> | <u>19 41 69</u> |
| Add: Purchases | 1 56 34 83 | 1 08 88 59 |
| | <u>1 78 41 53</u> | <u>1 28 30 28</u> |
| Less: Closing Stock of Raw Materials | 21 98 98 | 13 12 57 |
| Process Stock | 11 36 74 | 8 89 48 |
| Waste | 12 20 | 4 65 |
| | <u>1 44 93 61</u> | <u>1 06 23 58</u> |
| Fabrics / Garments Purchases | | |
| Opening Process Stock | 4 75 99 | 3 68 96 |
| Add : Purchases / Yarn | 49 69 42 | 28 78 75 |
| | <u>54 45 41</u> | <u>32 47 71</u> |
| Less : Closing Process Stock | 7 20 40 | 4 75 99 |
| | <u>47 25 01</u> | <u>27 71 72</u> |
| Chemicals Consumed | 28 03 32 | 24 87 13 |
| Stores Consumed | 10 73 38 | 9 70 21 |
| Total Material Cost | <u>2 30 95 32</u> | <u>1 68 52 64</u> |



| PARTICULARS | 31.03.2011 | 31.03.2010 |
|---|-----------------|-----------------|
| | (Rs.000's) | |
| SCHEDULE 18 : MANUFACTURING COST | | |
| Power and Fuel | 27 31 81 | 20 67 66 |
| Personnel Cost: (Including Managerial Remuneration) | | |
| Salaries, Wages, Incentives, Gratuity etc | 16 56 58 | 13 16 29 |
| Contribution to Provident Fund and Other Funds | 64 05 | 54 33 |
| Employees Welfare Expenditure | 1 34 44 | 99 23 |
| | <u>18 55 07</u> | <u>14 69 85</u> |
| Repairs and Maintenance | | |
| For Buildings | 68 71 | 44 39 |
| For Machinery | 7 28 35 | 4 57 15 |
| For Others | 2 82 54 | 1 40 67 |
| For Prayer Hall | 4 06 | 4 56 |
| | <u>10 83 66</u> | <u>6 46 77</u> |
| Total | <u>56 70 54</u> | <u>41 84 28</u> |
| SCHEDULE 19 : OTHER OPERATING EXPENSES | | |
| Processing Charges | 28 10 96 | 24 64 07 |
| Rent | 1 24 52 | 93 13 |
| Printing and Stationery | 44 23 | 38 08 |
| Postage, Telegrams and Telephones | 1 13 95 | 1 37 25 |
| Professional and Legal Charges | 47 20 | 34 75 |
| Auditors' Remuneration | 4 71 | 3 30 |
| Insurance | 67 38 | 66 60 |
| Duties, Taxes and Licenses | 56 77 | 55 99 |
| Donations | 66 | 31 |
| Traveling Expenses and Maintenance of Vehicles | 2 58 31 | 2 48 83 |
| Brokerage | 23 35 | 25 04 |
| Commission on Sales | 5 26 27 | 4 02 77 |
| Discount allowed | 4 49 72 | 4 13 39 |
| Selling Expenses | 3 05 46 | 3 05 39 |
| Advertisements | 65 62 | 1 25 73 |
| Freight Outwards | 2 84 33 | 3 13 64 |
| Directors Sitting Fees | 3 40 | 3 35 |
| Software Development Expenses | 39 40 | 32 05 |
| Miscellaneous Expenses | 21 29 | 95 88 |
| Exchange Loss on Export Sales | 90 85 | 96 20 |
| Loss on Sale of Fixed Assets | 93 19 | 12 65 |
| Bad Debts written off | 1 40 57 | - |
| | <u>55 72 14</u> | <u>49 68 40</u> |
| SCHEDULE 20 : FINANCIAL CHARGES | | |
| Interest on :- | | |
| Term Loans | 7 41 03 | 8 66 60 |
| Other Loans | 23 83 | 65 04 |
| Working Capital Loans | 9 46 12 | 8 48 40 |
| Bank Charges | 2 82 08 | 2 66 98 |
| | <u>19 93 06</u> | <u>20 47 02</u> |

SCHEDULE 21 :

NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011

SIGNIFICANT ACCOUNTING POLICIES

1. Method of Accounting:

The financial Statements have been prepared on the historical cost convention and in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 and normally accepted accounting principles. The accounting is on the basis of a going concern concept.

2. Principles of Consolidation:

The Consolidated Financial Statements relate to K G Denim Limited and its subsidiaries, have been prepared on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses as stated in Accounting Standard 21

The Subsidiary companies considered in the Consolidated Financial Statements are:

| Name of the Company | Country of Incorporation | Proportion of Voting Power as on 31.03.2011 |
|--------------------------|--------------------------|---|
| Trigger Apparels Limited | India | 100% |
| KG Denim (USA) Inc. | Delaware USA | 100% |

3. Other Significant Accounting Policies:

These are set out under "Significant Accounting Policies" of the financial statements of K G Denim Limited and Trigger Apparels Limited. No material activity has been carried out in KG Denim (USA) Inc.

NOTES FORMING PART OF ACCOUNTS:

1 a) Particulars of Stocks, Production and Sales: (Rs.000's)

| Particulars | Opening Stock | | Production | Closing Stock | | Purchases | | Sales | |
|-----------------------|---------------|-----------|------------|---------------|-----------|-----------|-----------|----------|-----------|
| | Qty. | Value Rs. | Qty. | Qty. | Value Rs. | Qty. | Value Rs. | Qty. | Value Rs. |
| 2010-2011 | | | | | | | | | |
| 1 Fabric (in Mtrs) | 2388145 | 270448 | 24059525 | 2147197 | 311167 | - | 482829 | 23690717 | 2958497 |
| 2 Terry Towel(Pieces) | - | - | 69572 | 11470 | 3016 | - | - | 58102 | 17728 |
| 3 Garments (in Nos) | 268101 | 104206 | 1006015 | 245902 | 92045 | 199276 | 73569 | 1227490 | 558069 |
| 2009-2010 | | | | | | | | | |
| 1 Fabric (in Mtrs) | 3546254 | 358347 | 22929847 | 2388145 | 270448 | - | 319939 | 23273679 | 2314027 |
| 2 Garments (in Nos) | 250545 | 86667 | 1043243 | 268101 | 104206 | 107381 | 28672 | 1133068 | 495733 |

- Sales includes samples and losses.
- Fabric purchases subject to further processing are included in production.
- Finished goods have been re-grouped in consolidation. Quantitative data for garments exclude that for garments in process.

b) Raw Material Consumption

| | 31.03.2011 | | 31.03.2010 | |
|-------------|------------|------------|------------|------------|
| | Qty. | (Rs.000's) | Qty. | (Rs.000's) |
| Cotton Kgs | 41 82 616 | 44 46 96 | 44 78 349 | 30 95 99 |
| Yarn Kgs | 64 43 705 | 92 77 18 | 58 33 658 | 68 50 45 |
| Fabric Mtrs | 46 15 528 | 48 12 29 | 40 05 983 | 30 81 52 |

2. Auditors' Remuneration

| | | |
|----------------|-------------|-------------|
| Audit fee | 2 22 | 1 54 |
| Tax Audit | 66 | 85 |
| Other Services | 2 19 | 91 |
| | <u>5 07</u> | <u>3 30</u> |

3. For all other common notes forming part of Consolidated Financial Statements, please refer the notes of Holding Company K G Denim Limited.



K G DENIM LIMITED

Registered Office : Then Thirumalai
Jadayampalayam, Coimbatore - 641 302.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the NINETEENTH ANNUAL GENERAL MEETING of the Members of K G DENIM LIMITED will be held on Friday, the 12th day of August 2011 at 9.30 a.m. at the Registered Office Premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March 2011, the Profit and Loss Account for the year ended 31st March 2011 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri M J Vijayaraaghavan, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri G V S Desikan, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri K N V Ramani, who retires by rotation and being eligible, offers himself for reappointment.
5. To consider and, if thought fit, to pass, with or without modification, the following Resolution relating to the appointment of the Auditors of the Company.

"RESOLVED that M/s Gopalaiyer and Subramanian(Regn. No.000960S), Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company, from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration as shall be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:
" RESOLVED that in respect of Shri A Velusamy, Whole Time Director, whose remuneration has been approved in the Annual General Meeting held on 13th August 2010 and as recommended by the Remuneration Committee at its meeting held on 27.05.2011 and the Board of Directors at its meeting held on 27.05.2011, his remuneration is re-fixed with effect from 01.04.2011 as follows :

1. Salary : Rs.10,17,500 per annum.
2. Perquisites : in addition to the above salary.

Expenditure for medical treatment, leave travel concession, personal accident insurance premium, Company's contribution to Provident Fund to the extent it is not taxable under the Income Tax Act, 1961. Gratuity and Encashment of leave at the end of tenure as per the rules of the Company.

3. a. He shall be entitled to reimbursement of all actual expenses including entertainment and traveling incurred in the course of the Company's business.
- b. The Company shall provide a car with driver and telephone facility at the residence of the Director. Provision of car with driver for use on the Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company to the Director.

The above salary and perquisites shall be payable to him as minimum remuneration not withstanding the absence or inadequacy of profits."

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

" RESOLVED that in respect of Shri S Muthuswamy, Director and Company Secretary, whose remuneration has been approved in the Annual General Meeting held on 27th August 2007 and as recommended by the Remuneration Committee at its meeting held on 27.05.2011 and the Board of Directors at its meeting held on 27.05.2011, his remuneration is re-fixed with effect from 01.04.2011 as follows :

1. Salary : Rs.10,17,500 per annum.
2. Perquisites : in addition to the above salary.

Expenditure for medical treatment, leave travel concession, personal accident insurance premium, Company's contribution to Provident Fund to the extent it is not taxable under the Income Tax Act, 1961. Gratuity and Encashment of leave at the end of tenure as per the rules of the Company.

3. a. He shall be entitled to reimbursement of all actual expenses including entertainment and traveling incurred in the course of the Company's business.
- b. The Company shall provide a car with driver and telephone facility at the residence of the Director. Provision of car with driver for use on the Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company to the Director.

The above salary and perquisites shall be payable to him as minimum remuneration not withstanding the absence or inadequacy of profits."

By Order of the Board

Coimbatore
27.05.2011

KG Baal Krishnan
Executive Chairman

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective must be deposited at the Registered Office of Then Thirumalai, Coimbatore 641 302 not less than 48 hours before holding the meeting.
3. Members holding shares in physical form are requested to intimate the Change of Address and their Bank Account details such as Bank name, Branch with address and Account number for incorporating the same in the Register maintained by M/s Cameo Corporate Services Ltd, "Subramanian Building", No.1 Club House Road, Chennai 600 002 quoting their respective folio number and members holding shares in demat form shall intimate the above details to their Depository Participant with whom they have Demat Account.
4. The Register of Members of the Company and the Share Transfer Books will remain closed from 01.08.2011 to 12.08.2011 (both days inclusive).
5. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business Item Nos.6 to 7 are enclosed.
6. Re-appointment of Directors:

At the ensuing Annual General Meeting Shri M J Vijayaraaghavan, Shri G V S Desikan and Shri K N V Ramani retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges are furnished in the Statement on Corporate Governance annexed in this Annual Report.

By Order of the Board

Coimbatore
27.05.2011

KG Baalakrishnan
Executive Chairman

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM No. 6

Shri A Velusamy is professionally qualified as B.Sc., B.L. He is 55 years old. He is a Whole time Director of the Company from 01.04.2005.

He satisfies the requirements of Part I of Schedule XIII of the Companies Act, 1956. The increased remuneration is proposed to be paid to him as minimum remuneration in the absence or inadequacy of profits for his services as a Whole Time Director with effect from 01.04.2011.

The increased remuneration has been approved by the Remuneration Committee on 27.05.2011 and also by the Board on the same date.

No Director of the Company is concerned or interested in the Resolution except Shri A Velusamy. The Explanation together with accompanying notice may be treated as an abstract of the Terms of variation of Shri A Velusamy as Director pursuant to the Provisions of Section 302 of the Companies Act, 1956.

ITEM No. 7

Shri S Muthuswamy is professionally qualified as FCA, AICWA and ACS. He is 55 years old and has been in the service of the Company from 30.05.2002 as a Director. He was appointed as a Director and as Company Secretary from 20.12.2003.

Shri S Muthuswamy satisfies the requirements of Part - I of Schedule XIII to the Companies Act, 1956. The increased remuneration will be paid with effect from 01.04.2011, as minimum remuneration in absence or inadequacy of profits.

The increased remuneration has been approved by the Remuneration Committee on 27.05.2011 and also by the Board on the same date.

No Director of the Company is concerned or interested in the resolution except Shri S Muthuswamy. The Explanation together with accompanying notice may be treated as an abstract of the terms of variation of appointment of the Whole-time Director pursuant to the Provisions of Section 302 of the Companies Act, 1956.

Coimbatore
27.05.2011

By Order of the Board

KG Baalakrishnan
Executive Chairman

K G DENIM LIMITED

Registered Office : Then Thirumalai
Jadayampalayam, Coimbatore - 641 302.

Please complete the Admission Slip and hand it over at the entrance of the Meeting Hall.
Please also bring your copy of the enclosed Annual Report.

ADMISSION SLIP

I hereby record my presence at the 19th Annual General Meeting of the Company on 12th August, 2011

Reg. Folio No. :

No. of Shares :

Name of the Shareholder :
(In Block Capitals)

Signature of the Shareholder / Proxy :

K G DENIM LIMITED

Registered Office : Then Thirumalai
Jadayampalayam, Coimbatore - 641 302.

Reg. Folio No. :

PROXY FORM

No. of Shares :

I..... being a Member of
K G DENIM LIMITED hereby appointSon / Husband of
..... or..... Son / Husband of
..... as my proxy to attend and vote for me and on my behalf at the
19th Annual General Meeting of the Company to be held on Friday, the 12th August, 2011
at 9.30 a.m. at K G DENIM LIMITED, Then Thirumalai, Jadayampalayam, Coimbatore - 641 302 and at any
adjournment thereof.

Signed thisday of, 2011

Signature

| |
|--------------------------------------|
| Affix 1/- Re. Revenue Stamp |
|--------------------------------------|

Note : The Proxy in order to be effective must be deposited at the Registered Office of the Company
not less than 48 hours before the time for holding the Meeting.

K G DENIM LIMITED

Registered Office : Then Thirumalai
Jadayampalayam, Coimbatore - 641 302.

Dear Shareholder,

Re: Green Initiative in Corporate Governance: Go Paperless

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) now permits companies to send various Notices / Documents / Reports to its Shareholders through electronic mode. The Circular also provides that a Company would have complied with Section 53 of the Companies Act, if the service of document is made through electronic mode.

This is a welcome initiative from Ministry as it will immensely benefit the society through reduced paper consumption and contribution towards a Greener Environment. It will also facilitate prompt receipt of communication and avoid delay / loss in postal transit. Keeping in view the underlying objective and the Circular issued by MCA, we propose to send all Communication / Documents / Reports to be sent to Shareholders like General Meeting Notices (including AGM) Annual Reports containing Annual Audited Financial Statements, Directors' Report, Auditors' Report, Corporate Governance Report etc., henceforth to the Shareholders in electronic mode to the e-mail address you will register with us as per the details to be given by you in the form given in the below of this communication.

Please note that these documents will also be available on the Company's website www.kgdenim.com for download by the Shareholders. The physical copies of the Annual Report will also be available at our Registered Office in Coimbatore for inspection during office hours. Subsequent to registration of your e-mail with us, in case you wish to additionally receive the above mentioned documents in physical form, you are requested to send an e-mail to cskgdl@kgdenim.in from your registered e-mail address.

In case, you do not wish to avail this facility, you will still continue to receive the hard copy of our communications specified above as usual.

Shareholders who hold shares in electronic form are requested to intimate the e-mail address to their respective depository participant also with a request to append your e-mail address with your postal address. Your e-mail address registered with depository participant will be taken into consideration for serving the above mentioned documents.

Your kind support to this initiative will contribute towards a greener environment.

Thanking you,

Yours faithfully,

for K G DENIM LIMITED

Sd./-

DIRECTOR AND COMPANY SECRETARY

Application form for Registration of E-mail address

To

M/s. Cameo Corporate Services Limited
"Subramanian Building"
1, Club House Road
Chennai - 600 002

Sub: Registration of E-mail address - UNIT - K G Denim Limited :

I/ We, agree to receive Documents / Reports / Notices / Statements through e-mail and provide you my / our, e-mail address and other details:

- 1 Name of the Shareholder
- 2 Folio No.
- 3 Address
- 4 E-mail address to which Documents / Notices can be served electronically
- 5 Mobile Number

I hereby declare that the particulars given above are correct and complete. If the communication is delayed or not effected at all for reasons of incomplete or incorrect information or technical snag at the receiving server, I would not hold Company / Registrar responsible. I further state that for registering any change in my e-mail address from time to time, I will submit an application through the above e-mail address or submit a fresh application form, if I am not able to send such application through the above e-mail address in order to authenticate the request.

Signature of the Shareholder

Instructions:-

1. Shareholders are requested to mail the duly filled form and forward it to our Registrar & Transfer Agents (RTA) - M/s Cameo Corporate Services Ltd to the address specified above.
2. The application for e-mail address registration is available in our website www.kgdenim.com which may be downloaded for use. Such form is required to be duly filled in and sent to the company for registration.
3. The RTA or the company will acknowledge the receipt of your application form through e-mail specified in your application.