K G DENIM LIMITED



Seventeenth Annual Report 2008 - 2009



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

M/s Gopalaiyer and Subramanian

Chartered Accountants

Coimbatore

Bankers Indian Bank

Auditors

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

Registered Office

Then Thirumalai 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)

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DIRECTORS' REPORT

Dear Shareholders,

We have pleasure in presenting the Seventeenth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

(Rs. in lakhs)

PARTICULARS	For the year ended 31 st March 2009	For the year ended 31 st March 2008
Gross Profit	1872	1980
Less: Interest	1978	1763
Loss due to exchange variation	277	-73
Profit prior to Depreciation and write off	-383	291
Less: Depreciation	1306	1278
Add: Prior Year Income / (Expenditure) (Net)	20	56
Net Profit / (Loss)	-1709	-1043
Current, Deferred, FBT Tax & earlier year tax	-493	-358
Net Profit / (Loss) for the year	-1216	-685
Balance Brought forward	901	1586
Balance carried forward	-315	901

REVIEW OF OPERATIONS

During the year ended 31.3.2009, the Company achieved an overall production of 215 lakh meters of fabrics against the previous year's production of 213 lakh meters. The sales for the year ended 31.03.2009 was Rs.22054 lakhs as against sales of Rs.20867 lakhs during the previous year, representing an increase of 6%.

Exchange fluctuations mainly affected the profitability for the year along with increase in cost of inputs namely cotton, yarn, chemicals, power & fuel especially for the fabric segment. Apparel exports were maintained at near previous year levels with improved profitability.

PROSPECTS FOR THE NEXT YEAR

During 2009-10, the demand for denim has picked up in both the domestic as well as exports. The price realization are expected to improve with benefits from better exchange rates for exports. The company is focusing on achieving higher growth rate in processed fabrics including home textiles. Apparel exports are expected to increase marginally.

FINANCE

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



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

The Annual Report of the Subsidiaries of the Company Viz., Trigger Apparels Limited and KG Denim (USA) Inc., is annexed to this report. The Company has invested Rs.195 lakhs in its subsidiary Trigger Apparels Limited during the year. Trigger Apparels Limited is expected to consolidate its market position with improved sales and profitability. 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, 2009.

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 Ltd., Mumbai.

CAPITAL EXPENDITURE

The Company incurred a capital expenditure of Rs.518.61 lakhs during the year.

12345678901234567890123456789012123456789012345678901234567890123456789012234567890123

DIRECTORS

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

Shri S R Rajasekaran passed away on 05.10.2008 and Shri G P Muniappan was appointed as director in the resulting casual vacancy. The Board wishes to record its appreciation for the services rendered by Shri S R Rajasekaran.

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 2009 will be submitted to the Central Government in accordance with Cost Audit Report Rules, 2001.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956.

The information required as per Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is enclosed. The particulars of employees covered under Section 217 (2A) of the Companies Act, 1956 during the period under review is enclosed.

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

On behalf of the Board

KG Baalakrishnan

Executive Chairman

Coimbatore

25.06.2009



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, 2009.

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 significant increase in costs.
- d) Total energy consumption and energy consumption per unit of production:

FORM - A

		1 Oktin	Α	
A.	POV	VER AND FUEL CONSUMPTION	31.03.2009	31.03.2008
	ı	Electricity (a) Purchased Units in lakhs Value in lakhs (Rs.) **	48.06 219.78	57.60 264.00
		Cost/Unit (Rs.) **Excludes fixed demand charges	4.57	4.58
		(b) Own Generation (i) Through Diesel Generator		
		Units in lakhs Units / Ltr.	8.14 3.10	6.20 2.70
		Cost/Unit (Rs.) (ii) Through steam turbine/generator	9.64	9.61
		Units in lakhs Units/Ton of fuel mix Cost/Unit (Rs.)	197.76 415.00 4.58	194.38 424.00 3.62
	П	Coal		
		Quantity (Tonnes) Total Cost (Rs. in lakhs) Average Rate (Rs)	18948 841.68 4442.00	19253 644.99 3350.00
	Ш	Saw Dust etc.,	4442.00	0000.00
		Quantity (Tonnes) Total Cost (Rs. in lakhs) Average Rate (Rs)	24305 275.62 1134.00	24672 268.19 1087.00
В.	CON	SUMPTION / UNIT OF PRODUCTION		
	Elec	tricity Unit/ Mtr. of Fabric	1.40	1.32

FORM - B

C. TECHNOLOGY ABSORPTION

- Research and Development (R & D):
 - 1. 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.

2. 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.

3. Future plan and action:

The R&D efforts will continue to meet the present and future needs of the end-users.

4. Expenditure on R & D:

Rs.Lakhs
a) Capital b) Recurring 9.94
c) **Total 9.94**d) R & D Expenditure as % of Total Turnover 0.04

II. Technology absorption, adaptation and innovation:

Continuous efforts are made towards technology innovation.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

Foreign Exchange : Used Rs.3786 Lakhs
Earned Rs.7567 Lakhs

On behalf of the Board

Coimbatore KG Baalakrishnan 25.06.2009 Executive Chairman

ANNEXURE TO DIRECTORS' REPORT

Statement of pursuant to Section 217 (2A) of the Companies Act, 1956 & Companies (Particulars of Employees) Rules, 1975.

Details of Remuneration paid during the year ended 31.03.2009.

SI.	Name & Designation	Age	Remuneration	Qualification & Experience	Date of Commencement
No.			(Rs. in lakhs)		of Employment
1.	Shri B Sriramulu	42	18.70	BE (Textile Technology)	03.11.2003
	Managing Director			MS(Textile Technology)	
				20 Years	
2.	Shri B Srihari	40	18.70	BE (Chemical Technology)	03.11.2003
	Managing Director			MS(Chemical Technology)	
				18 Years	

Notes :

- 1. Nature of employment in all cases are contractual.
- Shri B Sriramulu and Shri B Srihari are the Directors of the Company and are related to each other and to Shri KG Baalakrishnan, Executive Chairman and Smt T Anandhi, Director.

Coimbatore

Coimbatore

KG Baalakrishnan

Executive Chairman

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 orders 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 2008 to 31st March 2009. The present strength of the Board is 12 Directors, out of which 6 are independent directors.

6 (Six) 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: 14th May 2008, 23rd June 2008, 28th July 2008, 31st October 2008, 31st January 2009 and 31st March 2009. The Annual General Meeting was held on 24th September 2008. 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	Memb in Board	of ership Committees ompanies as Member
Shri KG Baalakrishnan	6	6	Present	7	-	-
Shri B Sriramulu	6	6	Not Present	12	-	-
Shri B Srihari	6	5	Present	9	-	1
Shri S R Rajasekaran *	3	2	Not Present	-	-	-
Shri G P Muniappan **	3	3	NA	1	-	-
Shri G V S Desikan	6	6	Present	5	-	2
Shri V Jagadisan	6	4	Present	2	1	5
Shri K N V Ramani	6	6	Present	8	3	3
Smt T Anandhi	6	5	Not Present	4	-	-
Shri M J Vijayaraaghavan	6	5	Present	2	3	2
Shri Surinder Chhibber	6	1	Not Present	1	-	-
Shri A Velusamy	6	6	Present	7	1	4
Shri S Muthuswamy	6	6	Present	-	-	

Shri S R Rajasekaran demised on 05.10.2008

Profile of Directors retiring by rotation and eligible for reappointment

Shri G V S Desikan, a B.Sc.,B.Sc.(Tech) graduate, aged 76 and 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 77 is a leading Advocate specialized in Corporate Laws. He has rich experience in Corporate Laws for more than four 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.

Shri V Jagadisan, B.Com., FCA., aged 76 is the Senior Partner of M/s V Jagadisan & Co., Chennai one of the leading CA firms of South India. He was elected as Central Council Member of Institute of Chartered Accountants of India, New Delhi for 3 terms (1976 to 1985) and is a Director on the Board of two other Companies.

^{**} Shri G P Muniappan appointed as a Director on 31.10.2008 for casual vacancy of Shri S R Rajasekaran. Shri B Sriramulu and Shri B Srihari are sons of, and Smt T Anandhi, daughter of Shri KG Baalakrishnan. None of the other directors are related to each other.

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 ie., 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 postaudit 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 23.06.2008, 28.07.2008, 30.10.2008 and 31.01.2009.

Composition of the Audit Committee as on 31st March, 2009 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 23.06.2008, 28.07.2008, 31.10.2008 and 31.01.2009.

Shri R K Sridhar, Asst. General Manager (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 38. Outstanding complaints as on 31st March 2009 were 'Nii'.

4. GENERAL MEETINGS

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

16 th AGM	24 th September 2008	2.00 p.m.	Registered Office premises, Then Thirumalai, Jadayampalayam, Coimbatore 641 302
15 th AGM	27 th August 2007	9.30 a.m.	- do -
14 th AGM	28 th September 2006	4.00 p.m.	- do -
EGM	28 th March 2007	4.00 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.

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 2009, 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	18,70,000	-	18,70,000
Shri B Srihari, Managing Director	18,70,000	-	18,70,000
Shri A Velusamy, Director	5,34,000	55,536	5,89,536
Shri S Muthuswamy			
Director & Company Secretary	6,67,500	60,552	7,28,052

The details of sitting fees paid to Non-Executive Directors for attending the Board or Committee Meetings during the financial year ended 31st March 2009 were as follows:-

Name of the Directors	Sitting Fee (Rs.)	No. of Shares held
Shri G V S Desikan	110000	200
Shri V Jagadisan	100000	Nil
Shri K N V Ramani	110000	10000
Shri G P Muniappan	15000	Nil
Shri S R Rajasekaran	10000	800
Shri M J Vijayaraaghavan	25000	Nil

8. GENERAL SHAREHOLDER INFORMATION

1. 17TH AGM to be held on: 29.09.2009

10.30 a.m.

Registered Office Premises, Then Thirumalai, Jadayampalayam, venue:

Coimbatore 641 302

2. Financial Calendar First Quarter - Last week of July 2009 (Tentative)

- Last week of October 2009 Second Quarter

Third Quarter - Last week of January 2010
Results for the year ending 31st March 2010 last week of

June 2010

3. Date of Book Closure 17.09.2009 to 29.09.2009 (Both days inclusive)

Listing of Equity Shares/Debentures Listed in Bombay Stock Exchange. The Company has paid the

listing fees for the year 2009 – 2010.

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

6. State Code Mumbai : Share - 1429

INE 104A01012 Demat ISIN No. for NSDL & CDSL 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.

9 Dematerialisation of Shares

89.88% of the total equity shares (23058319 Shares) were held in the dematerialised form as on 31st March 2009. 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.

10. i. Details of Public Funding obtained No capital from public was raised during the last three years. in the

last three years. During the year 200 -08, preferential allotment was made to

preference shareholders for redemption of preference shares

held by them. None

ii. Outstanding GDRS/ADRS/Warrants

or any convertible instrument 11. Plant Location

K G DENIM LIMITED

Then Thirumalai, Jadayampalayam, Coimbatore 641 302

12. Address for communication K G DENIM LIMITED

Then Thirumalai, Jadayampalayam, Coimbatore 641 302

13. Website www.kgdenim.com



9. DISTRIBUTION OF SHAREHOLDING ON 31ST MARCH 2009

Category		No. of Shareholders	%	No. of Shares	%
Upto	5,000	15403	86.93	2828742	11.03
5,001	- 10,000	1268	7.16	1101347	4.29
10,001	- 20,000	491	2.77	793791	3.09
20,001	- 30,000	161	0.91	417421	1.63
30,001	- 40,000	65	0.37	238591	0.93
40,001	- 50,000	99	0.56	471052	1.84
50,001	- 1,00,000	121	0.68	908701	3.54
1,00,001	and above	111	0.62	18894260	73.65
	Total	17719	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 2008 to March 2009 is as below:

Month	BSE Price		
	High	Low	
April 2008	17.70	14.80	
May 2008	18.60	15.95	
June 2008	18.35	12.60	
July 2008	13.50	10.71	
August 2008	15.40	11.07	
September 2008	12.38	7.00	
October 2008	9.00	4.27	
November 2008	7.99	5.10	
December 2008	7.16	5.29	
January 2009	6.52	5.24	
February 2009	5.60	4.80	
March 2009	5.45	4.37	

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.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENT

The denim market both domestic and exports is witnessing a significant increase in demand. The export prices are also likely to be higher on account of favourable exchange rates. There is currently a slow down in processed fabrics, but is expected to improve later this year. Apparel exports are expected to be maintained at last year levels.

OPPORTUNITIES AND THREATS

The market for denim is witnessing a growth. The slow down in Pakistan is likely to benefit home textiles exports.

SEGMENT WISE PERFORMANCE

The segment wise results are presented in item 2.19 of the Notes on Accounts. The fabric division has sustained losses on account of increase in cost of raw materials and other inputs. However, apparel division has posted profitable results on account of better product mix.

RISKS AND CONCERNS

Cotton prices, surplus capacity in the industry and exchange fluctuation are the key risk areas.

INTERNAL CONTROL SYSTEMS & PROCEDURES

Company already holds Certification under ISO 9002 and ISO 14001 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.

PERFORMANCE OF THE COMPANY

The Company's profitability has declined during the year on account of rise in input costs and losses on account of exchange fluctuation during the year.

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, 2009, 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 GOPAL AIYER AND SUBRAMANIAN

Chartered Accountants

 Coimbatore
 CA. R MAHADEVAN

 25.06.2009
 Partner

 Membership No.27497



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 2009 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.
- 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 2009 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2009 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 2009;
 - (b) In the case of Profit & Loss Account, the LOSS 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

Coimbatore Partner 25.06.2009 CA. R MAHADEVAN Membership No.27497

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 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, 2009 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 31.3.2009 (Rs.lakhs)	Forum where dispute is pending
The Central Excise Act	Excise duty	10.79	Commissioner of Central Excise Appeals, Salem
The Central Excise Act	Excise duty	345.17	Out of this, demand of Rs.335.75 lakhs was stayed by CESTAT, Chennai

- X. The Company does not have any accumulated losses as at 31st March 2009. The Company has not incurred any cash losses 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 debenture holders.
- 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.560.29 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 the company has utilized the funds raised on short term basis for long term investments to the extent of Rs.1371.36 lakhs.
- **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 ${f GOPALAIYER}$ and ${f SUBRAMANIAN}$

Chartered Accountants

CA. R MAHADEVAN

Partner Membership No.27497

Coimbatore 25.06.2009

BALANCE SHEET AS AT 31 st MARCH 2009

PARTICULARS	SCHEDULE	AS AT	AS AT
		31.03.2009	31.03.2008
SOURCES OF FUNDS		(Rs.00	0's)
SHAREHOLDERS' FUNDS	4	05.00.54	25.00.54
Share Capital	1	25 66 51	25 66 51
Reserves & Surplus	2	<u>16 85 10</u>	29 00 91
LOAN FUNDS		42 51 61	54 67 42
Secured Loans	3	1 22 74 95	1 23 41 06
Unsecured Loans	4	4 61 49	6 49 12
		1 27 36 44	1 29 90 18
Deferred Tax Liability (Net)		8 66 20	13 72 47
Total		1 78 54 25	1 98 30 07
		1 10 34 23	1 30 30 07
APPLICATION OF FUNDS			
FIXED ASSETS	5		
Gross Block		2 18 32 30	2 13 87 22
Less: Depreciation		94 10 60	81 34 05
Net Block		1 24 21 70	1 32 53 17
INVESTMENTS	6	5 31 72	3 36 65
NET CURRENT ASSETS			
Current Assets, Loans & Advances			
Inventories	7	63 78 38	59 16 10
Trade Debtors Cash and Bank Balances	8 9	24 45 44	31 75 06
Loans & Advances	9 10	7 60 31 22 78 90	5 87 29 14 46 32
Income Receivable	10	2 82 31	3 12 94
		1 21 45 34	1 14 37 71
Less : Current Liabilities & Provisions		. 2	
Current Liabilities	11	70 93 30	50 57 24
Provisions	12	1 51 21	1 40 22
		49 00 83	62 40 25
Total		1 78 54 25	1 98 30 07
Notes on Accounts	20		
As per our report of even dated For GOPALAIYER AND SUBRAMAN Chartered Account			IRAMULU aging Director
Ca. R MAHADE	VAN S MUTHUSWAN	IY B SR	IHARI

Coimbatore Partner 25th June, 2009 Membership No.27497

Director & Company Secretary Managing Director

PARTICULARS	SCHEDULE	31.03.2009	31.03.2008
		(Rs.0	000's)
INCOME			
Sales (Gross/Net)	13	2 20 54 25	2 08 67 25
Increase in Stock	15	5 36 30	- 4 71 57
		2 25 90 55	2 03 95 68
Jobwork Receipts (TDS Rs.18,99,274/-)	4.4	8 98 36	6 90 64
Other Income	14	5 17 47	4 95 03
EVENDITURE		2 40 06 38	2 15 81 35
EXPENDITURE Material Cost	40	4 40 24 52	4 22 20 54
Material Cost Manufacturing Cost	16 17	1 49 31 53 39 53 44	1 23 26 51 33 67 51
Other Operating Expenses	18	39 53 44 32 49 01	39 06 97
Caro. Operating Expenses	.0	2 21 33 98	1 96 00 99
GROSS PROFIT		18 72 40	19 80 36
Less: Financial Charges	19	19 78 12	17 63 60
Loss/Gain on variation in Foreign Exchange Depreciation	e Rate (Net)	2 76 70	-73 45
PROFIT/ LOSS FOR THE YEAR		-16 88 81	-9 87 36
		19 98	-9 o7 30 55 99
Add : Prior Year Expenses / Income (Net) Excess Provision for Expenses Written Bad	ck	19 90	-7 97
Provision for Fringe Benefit Tax		12 00	17 25
Provision for Wealth Tax		74	60
Provision for Deferred Tax		-5 06 27	-3 68 57
Prior Year Taxes		55	8
NET PROFIT/ LOSS		-12 15 81	-6 84 74
Add: Balance Brought forward		9 00 76	15 85 50
Balance Transferred to Balance Sheet		-3 15 05	9 00 76
Earnings per Share (Basic & Diluted)-Face	Value Rs.10 per Share	(4.74)	(2.67)
Weighted Number of Equity Shares	,	25653905	25653905
Notes on Accounts	20		
As per our report of even dated For GOPALAIYER AND SUBRAMANIAN Chartered Accountants	KG BAALAKRISHN Executive Chairma	_	RIRAMULU aging Director
CA. R MAHADEVAN	S MUTHUSWAMY		aging Director

PAF	RTICULARS	31.03.2009	31.03.2008
		_	(Rs.000's)
Α.	CASH FLOW FROM OPERATING ACTIVITIE Net profit before tax and extraordinary items Adjustments for:	-168881	-98736
	Depreciation	130639	127757
	Profit/Loss on sale of assets	2232	1144
	Interest Charges	197812	176360
	Operating Profit before working capital of Adjustments for:	changes 161802	206525
	Trade and other receivables	72962	-75505
	Inventories	-46228	102878
	Loans & Advances	-83258	-55208
	Income Receivables	3063	-7552
	Current Liabilities	204705	21841
	Cash generated from operations	313046	192979
	Cash flow before extraordinary items	313046	192979
	Extraordinary items	-3327	-6595
	Net cash from operating activities	309719	186384
3.	CASH FLOW FROM INVESTING ACTIVITIES	S:	
	Withdrawn / Sale of fixed assets	2137	617
	Acquisitions of fixed assets	-51861	-61832
	Investments	-19507	4
	Net cash used in investing activities	-69231	-61211
) .	CASH FLOW FROM FINANCING ACTIVITIES	S:	
	Proceeds from issue of Equity Share Capital	-	55554
	Proceeds of Share Premium on issue of Equity	y Share Capital -	44446
	Proceeds from long term borrowings	-34730	49388
	From Short Term Loan	18119	-9370
	Bank Borrowings	-8763	5970
	Interest paid	-197812	-176360
	Redemption of Preference Share Capital	-	-100000
	Net cash used in financing activities	-223186	-130372
	Net Increase in cash and cash equivalents as at 1st April, 200	08	-5199
	(Opening Balance)	58729	63928
	Cash and cash equivalents as at 31st March, (Closing Balance)	2009 76031	58729
\s p	per our report of even dated For GOPALAIYER AND SUBRAMANIAN Chartered Accountants	KG BAALAKRISHNAN Executive Chairman	B SRIRAMULU Managing Director
`oir	CA. R MAHADEVAN mbatore Partner	S MUTHUSWAMY Director & Company Secretary	B SRIHARI Managing Director



SCHEDULES ANNEXED TO THE BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS	AS AT 31.03.2009	AS AT 31.03.2008
	(Rs.	000's)
SCHEDULE 1 : SHARE CAPITAL		
Authorised Capital		
31000000 Equity Shares of Rs.10 each 1000000 10% Cumulative Redeemable Preference	31 00 00	31 00 00
Shares of Rs.100 each	10 00 00	10 00 00
Issued Capital		
25691305 Equity Shares of Rs.10 each	25 69 13	25 69 13
Subscribed and Paid up Capital		
25653905 Equity Shares of Rs.10 each	25 65 39	25 65 39
Add: Forfeited Shares	1 12	1 12
	25 66 51	25 66 51
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 (-) 3 15 05	12 40 66	-
Surplus in Profit & Loss A/c		9 00 76
	16 85 10	29 00 91
SCHEDULE 3 : SECURED LOANS		
Rupee Term Loans	81 19 29	83 66 59
Working Capital Loans from Banks	41 55 66	39 74 47
	1 22 74 95	1 23 41 06
SCHEDULE 4 : UNSECURED LOANS		
From Banks	46 46	1 07 15
Inter Corporate Deposits	4 00 00	5 00 00
From Others	15 03	41 97
	4 61 49	6 49 12

SCHEDULE 5: FIXED ASSETS

(Rs. 000's)

		GROSS	BLOCK			DEPRECIATION BLOCK		NET BLOCK		
	Cost	Additions	Sales/	Total cost	Up to	Depreciation	Withdrawn	Up to	As at	As at
Description	as at	during the	Transfer during the	as at	31.3.2008	for the	during	31.3.2009	31.3.2009	31.3.2008
of Assets	31.3.2008	year	year	31.3.2009		year	the year			
Land	38847	222	-	39069	-	-	-	-	39069	38847
Buildings	260477	4217	-	264694	50310	7683	-	57993	206701	210167
Machinery	1672611	43227	7097	1708741	683774	114164	2765	795173	913568	988837
Electric Machinery	90380	2282	-	92662	40658	4326	-	44984	47678	49722
Office Equipments	41852	987	15	42824	25871	1832	1	27702	15122	15981
Furniture & Fittings	9010	926	-	9936	3709	592	-	4301	5635	5301
Motor Vehicles	25545	-	241	25304	9083	2042	218	10907	14397	16462
Total	2138722	51861	7353	2183230	813405	130639	2984	941060	1242170	1325317
Previous Year	2041307	99885	2470	2138722	686357	127757	709	813405	1325317	1354950

Note: Buildings includes Prayer Hall of Rs.62.20 Lakhs in Gross Block, Rs.7.91 Lakhs in Depreciation Block and Rs.54.29 Lakhs in Net Block

Furniture & Fittings include Prayer Hall assets of Rs.13.89 lakhs in Gross Block, Rs.0.99 lakhs in Depreciation Block and Rs.12.90 lakhs in Net Block.

	AS AT	AS AT
SCHEDULE 6 : INVESTMENTS (At Cost)	31.03.2009	31.03.2008
Non-Trade Investments - Quoted	(Rs. 000's)	
Allahabad Bank	,	
5265 Equity Shares of Rs.10/- each	4 32	4 32
(Market Value Rs. 2,04,545/-)		
Trade Investments - Un Quoted		
KG Fabriks Ltd		
32,70,000 Equity Shares of Rs.10/- each	3 27 00	3 27 00
Trigger Apparels Ltd - Wholly owned subsidiary	2 00 00	F 00
20,00,000 Equity Shares of Rs.10/- each KG Denim (USA) Inc - Wholly owned subsidiary	2 00 00	5 00
Common Stock of Shares at no par value	35	28
National Savings Certificate	5	5
	5 31 72	3 36 65
	00172	3 30 03
SCHEDULE 7: INVENTORIES		
Raw Materials	11 12 48	10 80 96
Process Stock	8 98 85	9 12 24
Finished Goods	38 26 90	32 90 60
Stock of Waste	4 73	8 10
Stock of Stores	5 35 42	6 24 20
(As taken, valued and certified by the Management)	63 78 38	59 16 10

PARTICULARS	AS AT	AS AT
	31.03.2009	31.03.2008
001150111 5 0	(Rs	s.000's)
SCHEDULE 8: TRADE DEBTORS		
Unsecured - Considered Good		
Outstanding for More than Six Months	5 23 60	9 30 56
Others	19 21 84	22 44 50
	24 45 44	31 75 06
SCHEDULE 9: CASH AND BANK BALANCES		
Cash and Cheques in Hand	9 06	9 65
Bank Balances (with Scheduled Banks)		
In Current Accounts	2 68 37	2 16 62
In Deposit Accounts	4 82 88	3 61 02
	7 60 31	5 87 29
SCHEDULE 10: LOANS AND ADVANCES		<u></u>
Unsecured Considered Good:		
Advances Recoverable in cash or in kind or for Value to be received		
For Capital Goods	34 34	38 97
For Materials Purchases	13 19 98	77 69
For Duties & Taxes	2 75 52	2 55 29
For Subsidy Receivable from Govt Agencies	3 12 54	3 06 01
For Expenses / Others	1 35 20	6 44 38
Advances to Subsidiary Companies	22	9
Deposits	55 63	42 54
Prepaid Expenses	1 45 47	81 35
	22 78 90	14 46 32
SCHEDULE 11 : CURRENT LIABILITIES		
Creditors for Capital Goods	2 49 42	1 65 48
Creditors for Purchases (Other than SSI)	56 25 99	37 08 27
Creditors for Purchases (For SSI Units)	44 72	7 70
Liability for Expenses	9 94 45	9 95 04
Liability for Other Finances	50 36	35 20
Customers Credit Balances	61 26	78 04
Investor Education and Protection Fund shall be	0120	7004
credited by the following amount namely @		
Unpaid (Unclaimed) Matured Debentures	41 12	41 42
Unpaid (Unclaimed) Interest on Debentures	25 98	26 09
No amount is due as on 31st March 2009 for credit to	23 30	20 00
Investor Education and Protection Fund. The actual amount to be transferred to the fund in this respect will		
be determined on the respective due dates.	70 93 30	50 57 24
·	10 93 30	30 37 24
SCHEDULE 12 : PROVISIONS		
For Income Tax	39 42	39 42
For Wealth Tax	74	60
For Fringe Benefit Tax	12 00	17 25
For Gratuity	99 05	82 95

PARTICULARS	31.03.2009	31.03.2008	
SCHEDULE 13 : SALES	(Rs.	(Rs.000's)	
SCHEDULE 13: SALES Fabrics	2 05 90 27	1 93 14 13	
Garments	11 68 24	12 55 24	
Yarn	1 09 42	73 72	
Waste\Others	1 86 32	2 24 16	
waste to triers			
SCHEDIII E 44 - OTHER INCOME	2 20 54 25	2 08 67 25	
SCHEDULE 14: OTHER INCOME	22.22	20.00	
Interest Receipts (TDS - Rs.9,62,490)	38 36	32 96	
Interest Subsidy Receipts	3 83 90	3 84 51	
Insurance Claims Received	12 09	4 58	
Exchange Gain on Export Sales	11 59	14 17	
Profit on Sale of Assets	66 18	4 16	
Dividend Receipts	10	36 00	
Lease Rent Receipts	70.00		
Miscellaneous Receipts	70 69	22 61	
	5 17 47	4 95 03	
SCHEDULE 15: INCREASE IN STOCK			
Closing Stock of Finished Goods	38 26 90	32 90 60	
Opening Stock of Finished Goods	32 90 60	37 62 17	
	5 36 30	-4 71 57	
SCHEDULE 16 : MATERIAL COST			
Raw Materials Consumed			
Opening Stock of Raw Materials	10 80 96	15 32 71	
Process Stock	5 56 69	6 51 45	
Waste	8 10	2 44	
	16 45 75	21 86 60	
Add: Purchases	<u>1 00 51 51</u>	78 36 70	
	1 16 97 26	1 00 23 30	
Less: Closing Stock of Raw Materials	11 12 48	10 80 96	
Process Stock	5 29 89	5 56 69	
Waste	473	8 10	
Fabrica / Commente Burchassa / Compunition	1 00 50 16	83 77 55	
Fabrics / Garments Purchases / Consumption	2 55 55	4.04.05	
Opening Process Stock Add : Purchases	3 55 55 20 19 17	4 04 85	
Muu . Fuidlases		11 93 00	
	23 74 72	15 97 85	
Less : Closing Process Stock	3 68 96	3 55 55	
	20 05 76	12 42 30	
Chemicals Consumed	24 42 00	21 45 50	
Stores Consumed	4 33 61	5 61 16	
Total Material Cost			
I DISTRIBUTION TO THE PROPERTY OF THE PROPERTY	1 49 31 53	1 23 26 51	

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PARTICULARS	31.03.2009	31.03.2008
	(Rs.00	00's)
SCHEDULE 17: MANUFACTURING COST		
Power and Fuel	20 43 03	16 18 63
Personnel Cost: (Including Managerial Remuneration)		
Salaries, Wages, Incentives, Gratuity etc	11 66 16	10 03 93
Contribution to Provident Fund and Other Funds	50 74	46 67
Employees Welfare Expenditure	90 59	64 30
5	13 07 49	11 14 90
Repairs and Maintenance		
For Buildings	38 60	95 22
For Machinery	4 51 31	4 61 31
For Others	1 09 59	72 96
For Prayer Hall	3 42	4 49
	6 02 92	6 33 98
Total	39 53 44	33 67 51
SCHEDULE 18: OTHER OPERATING EXPENSES		
Processing Charges	16 47 28	22 72 69
Rent	31 03	55 34
Printing and Stationery	31 90	35 52
Postage, Telegrams and Telephones	1 10 99	1 01 85
Professional and Legal Charges	48 16	29 21
Auditors' Remuneration	3 23	2 75
Insurance Duties, Taxes and Licenses	68 17 49 79	46 74 43 98
Donations	49 79	43 96
Traveling Expenses and Maintenance of Vehicles	1 77 45	1 51 52
Brokerage and Commission	2 90 19	1 41 52
Selling Expenses	3 40 52	4 54 91
Advertisements	6 64	93 42
Freight Outwards	3 08 78	2 76 92
Directors Sitting Fees	3 70	3 80
Software Maintenance Expenses	28 45	22 00
Miscellaneous Expenses	79 66	1 63 10
Loss on Sale of Fixed Assets	22 98	11 48
	32 49 01	39 06 97
SCHEDULE 19 : FINANCIAL CHARGES		
Interest on:-	0.44.40	0.04.00
Term Loans Other Loans	9 44 12 88 62	9 34 03 8 16
Working Capital Loans	7 14 91	6 69 29
Bank Charges	2 30 47	1 52 12
	19 78 12	17 63 60
	1970 12	17 03 00

SCHEDULE 20:

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2009 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.
- 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. Pre-operative expenses of new expansion Textile Processing Project 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 or 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 SEGMENT REPORT

Segment reporting is made in the notes on accounts as per Institute of Chartered Accountants of India guidelines for better understanding of the performance, assess the risks and returns of the enterprise.

1.15 RELATED PARTY DISCLOSURES

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

1.16 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.

1.17 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.

1.18 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.

2 NOTES ON ACCOUNTS

2.1 CONTINGENT LIABILITY

CONTINGENT LIABILITY	(Rs 000's) 2008 – 2009	(Rs 000's) 2007 – 2008
Bills discounted with banks	18 56 85	20 29 50
b) Arrears of dividend on 10% Cumulative Redeemable Preference	2 00 00	2 00 00
Shares (for the period 1st April 2005 to 31st March 2007)		
c) Contracts remaining to be executed in Capital Account	-	-
d) Disputed Taxes and Duties	3 55 96	20 21
e) Disputed Income Tax(Paid Rs.135.31 Lakhs		
- Previous Year Rs.159.64 Lakhs)	1 35 31	1 59 64
f) Guarantees given to Bank for loan to subsidiary	5 60 29	9 60 00
g) Guarantees given on behalf of Associates for fulfillment of		
their Export obligation under EPCG Scheme	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 102.1897 acres of land at Jadayampalayam, Alangombu, Karamadai Villages in Mettupalayam Taluk, Coimbatore District, Tamilnadu and 2155.62 sq.mtrs 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 Indore 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, Tamilnadu.

- 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). These are also guaranteed by Shri KG Baalakrishnan.
- c) Bonus loan from Indian Bank is secured by a first pari passu charge on the whole of the current assets and is also guaranteed by Shri KG Baalakrishnan.

	9	2008-2009	2007-2008
d\ Dans	and suggested since he Describes	(Rs.000's)	(Rs.000's)
Shri k	onal guarantees given by Promoter KG Baalakrishnan for loans obtained by the Company be hire purchase charges on vehicle hire purchase loans	1 94 54 00	1 84 68 43
	t later than one year	14 16	26 83
ii) Lat	ter than one year and not later than five years	87	15 14
o		<u>15 03</u>	41 97

2.3 The Company has investment of Rs.200 Lakhs in the shares of M/s Trigger Apparels Limited, a wholly owned subsidiary of the company. Further the company has receivables to the extent of Rs.806.82 Lakhs recoverable from Trigger Apparels Limited. The networth of Trigger Apparels Limited 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 Trigger Apparels Limited, 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 meets its liability from internal generation.

liabilit	y in accounts, to meets its liability from internal generation.		
I.	Principal Actuarial Assumptions	31.03.2009	31.03.2008
	(Expressed as weighted averages)		
	Discount Rate	8.00 %	8.00 %
	Salary Escalation Rate	8.00 %	10.00 %
	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	8,295	9,891
	Interest Cost	639	759
	Current Service Cost	1,020	871
	Past Service Cost - (Non Vested Benefits)	0	0
	Past Service Cost - (Vested Benefits)	0	0
	Benefits Paid	(606)	(801)
	Actuarial Loss / (Gain) on obligation (Balancing Figure)	557	(2,425)
	PVO as at the end of the period	9,905	8,295
III.	Changes in the fair value of plan assets -	(Rs.000's)	(Rs.000's)
	Reconciliation of Opening and Closing Balances	(101000)	(**************************************
	Fair Value of plan assets as at the beginning of the period	0	0
	Expected return on plan assets	0	0
	Contributions	606	801
	Benefits Paid	(606)	(801)
	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
٧.	Actuarial Gain / Loss recognised	(Rs.000's)	(Rs.000's)
	Actuarial Gain / (Loss) for the period - Obligation	(557)	2,425
	Actuarial Gain / (Loss) for the period - plan assets	0	0
	Total Gain / (Loss) for the period	557	(2,425)
	Actuarial Gain / (Loss) recognised in the period	557	(2,425)
	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	9.905	8,295
	Fair Value of plan assets	0	0,250
	Difference	9,905	8,295
	Unrecognised transitional liability	0	0
	Unrecognised past service cost-non vested benefits	0	0
	Liability recognised in the balance sheet	9,905	8,295
VII.	Expenses recognised in the statement of profit and loss	(Rs.000's)	(Rs.000's)
	Current Service Cost	1,021	871
	Interest Cost	639	759
	Expected return on plan assets	0	0
	Net actuarial (Gain) / Loss recognised in the year	557	(2,425)
	Transitional Liability recognised in the year	0	0
	Past Service Cost - Non-Vested Benefits	0	0
	Past Service Cost - Vested Benefits	0	0
	Expenses recognised in the statement of profit and loss	2,216	(795)
VIII.	Movements in the Liability recognised in the balance sheet	(Rs.000's)	(Rs.000's)
	Opening net liability	8,295	9,891
	Expense as above	2,216	(795)
	Contribution paid	(606)	(801)
	Closing net liability	9,905	8,295

2.5	Managerial remuneration under Sec	tion198 of the Compa	nies Act. 1956		
	paid or payable during the financial y				
				2008-2009	2007-2008
				(Rs.000's)	(Rs.000's)
	Salaries and allowances (Rs.)			49 42	41 91
	Contribution to PF			1 16	1 13
	Total			50 58	43 04
2.6	Computation of Net Profit in accorda	nce with Section 198	read with Section	n 309 (5) of the Cor	npanies Act, 1956
	Profit/Loss before Taxation			-168881	-98736
	Add: Depreciation as per Accoun	ts		130639	127757
	Managerial Remuneration			5058	4304
				-33184	33325
	Less: Depreciation as per Section 3	350 of Companies Act	, 1956	130639	127757
	Prior year & Preliminary Expe	enses		1998	4802
	Net Loss for the year			-165821	-99234
	Minimum Remuneration to Managing	n Directors		3740	3000
	Minimum Remuneration to other Exe			1318	1304
	Total Managerial Remuneration			5058	4304
2.7	Licensed and Installed Capacitie			3030	4004
2.1	Licensed Capacity:	·5 .		NA	NA
	Installed Capacity : Looms			193 Looms	204 Looms
	Stenters			3 Nos	3 Nos
2.8	Particulars of Production, Sales	& Stock			
	Particulars of Production :			Qty	Qty
	Cloth (Mtrs)			2 15 08 275	2 12 89 025
	* Waste (Kgs.)			12 78 951	16 96 114
	** Garments (Nos.)			2 27 973	3 08 231
	Note: * Waste Production is ** Converted on job work ba		waste in cotton/	yarn/fabrics for prod	duction.
2.10	Particulars of Sales:				
			2008-2009	0.1	2007-2008
		Qty	Amount	Qty	Amount
	Ola the Maria	0.44.00.000	(Rs.000's)	0.40.00.440	(Rs.000's)
	Cloth Mtrs. Yarn Kgs.	2 11 83 393 1 23 458	2 05 90 27 1 09 42	2 13 69 419 87 542	1 93 14 13 73 72
	Waste* Kgs.	12 76 242	1 86 32	16 88 986	2 24 16
	Garments Nos.	2 27 405	11 68 24	3 36 640	12 55 24
			2 20 54 25		2 08 67 25
	* includes samples and loss				
2.11	Particulars of Opening Stock:				
	Cloth Mtrs.	34 40 259	31 02 38	38 16 471	34 63 15
	Garments Nos.	56 512	81 35	84 921	1 96 33
	Garment in process	-	1 06 87	-	1 02 69
			32 90 60		37 62 17
	Waste Kgs.	40 330	8 10	33 202	2 44
			32 98 70		37 64 61

			200	08-2009	20	007-2008
			Qty	Amount	Qty	Amount
			•	(Rs.000's)	·	(Rs.000's)
2.11	Particulars	of Closing Stock:		(,		(,
	Cloth	Mtrs.	34 95 826	35 83 47	34 40 259	31 02 38
	Garments	Nos.	58 779	1 04 20	56 512	81 35
	Garment in p	rocess	-	1 39 23	-	1 06 87
				38 26 90		32 90 60
	Waste	Kgs.	43 039	4 73	40 330	8 10
				38 31 63		32 98 70
2.12		of Purchases:				44.00.00
	* Cloth	Mtrs.	4 600	20 13 57	-	11 93 00
	Garments	Nos.	1 699	5 60 20 19 17	-	11 02 00
	+ 0 1 : 1 : 6			20 19 17		11 93 00
	-	further processing and inc	cluded in production.			
2.14	Raw Materia	als Consumed				
	Cotton Kgs		38 84 045	30 25 07	59 91 576	33 55 28
	Yarn Kgs		65 37 512	70 25 09	53 99 588	50 22 27
	Fabric Mtrs.		31 20 505	20 05 76	22 19 146	12 42 30
2.14	Consumptio	n		2008-2009		2007-2008
	-		%	(Rs.000's)	%	(Rs.000's)
	Raw Material	s - Imported	25	24 85 99	21	17 76 55
	Indigenous		75	75 64 17	79	66 01 00
			100	1 00 50 16	100	83 77 55
	Fabric consu	med - Imported	7	1 50 42	2	24 05
		med - Indigenous	93	18 55 34	98	12 18 25
		•	100	20 05 76	100	12 42 30
	Chemicals - I	mported	23	5 63 95	23	4 97 16
	Indigenous		77	18 78 05	77	16 48 34
	Ü		100	24 42 00	100	21 45 50
	Stores & Spa	ares - Imported	46	1 99 94	28	1 58 51
	Indigenous	portou	54	2 33 67	72	4 02 65
	· ·		100	4 33 61	100	5 61 16
2.15	Value of Im	ports on CIF basis				
	I Raw Ma			26 36 41		20 03 23
	II Chemica			5 63 95		6 38 79
	III Spares	& Components		1 99 94		1 58 51
	IV Capital (2 30 50		3 78 31
				36 30 80		31 78 84
2.16	Expenditure	in Foreign Currency				
	Commission			1 77 81		1 68 07
		nt and Trade Fair		52 55		30 49
	Traveling etc			32 43 6 69		29 97
	Processing (9 94		7 36
	Testing Char	& Legal charges		8 67		4 86
	resuring errain	900		2 88 09		2 40 75
2.17	•	Foreign Currency (FC	OB)	2 88 09		2 40 73
	Export of goo	ods on Direct Export		75 66 66		69 02 54
2.18	Auditors Re	muneration				
	For Audit			1 32		1 35
	For Tax Audi	t		67		62
	For Other Se	rvices		1 24		78
				3 23		2 75

2.19 The segmental reporting as required under AS-17 issued by the Institute of Chartered Accountants of India is as below:

	is as below.	(Rs.000's)	(Rs.000's)
No.	Particulars	Year ended 31.03.2009	Year ended 31.03.2008
2	Segment Revenue (a) Fabrics Division (b) Apparel Division Less: Inter Segment Revenue Add: Other Income Net Sales/Income from Operations Segment Results Profit/ (Loss) before Interest and Tax	2144677 141526 2286203 41340 51747 2296610	2083875 129930 2213805 127080 87460 2174185
3	 (a) Fabrics Division (b) Apparel Division Total Less: Interest Extraordinary Items Profit / Loss before Tax Capital Employed (Segment Assets - Segment Liabilities) (a) Fabrics Division 	3410 16918 20328 159523 31699 -170894	50570 -11397 39173 137909 4802 -103538
	(b) Apparel Division Total	82015 1785425	89153 1983007

2.20 Accounting Standard AS - 18 on "Related Party Disclosure"

(Rs.000's)

			2008-2009				2007-2008	
Particulars	Subsidiary	Associates	Key Management Personnel	Relative of Key Management Personnel		Associates	Key Management Personnel	Relative of key Management Personnel
Purchase of goods	-	6735	-	-	-	8011	-	-
Sale of goods Conversion	65949	8272	-	-	75735	17492	-	-
Charges paid Processing	-	126310	-	-	-	195643	-	-
Charges paid Service	-	2514	-	-	26535	-	-	-
Charges paid	-	2748	-	-	-	2200	-	-
Investments Managerial	19500	-	-	-	-	-	-	-
Remuneration	-	-	5058	-	-	-	4304	-



2.21 Balance outstanding as on 31.03.2009

			2008-09			2007-20	08	
Particulars	Subsidiary		Key Management Personnel	Relative of Key Management Personnel		Associates	Key Management Personnel	Relative of key Management Personnel
Debtors	80682	4389	-	-	74848	8123		-
Creditors	-	42604	-	-	-	55341	-	-
Investments	20028	32700	-		528	32700	-	-

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	200	8-09	2007-08	
	Deferred Tax	Deferred Tax	Deferred Tax	Deferred Tax
	Assets	Liabilities	Assets	Liabilities
Difference between value of Depreciation				
as per books of account and for tax purpose.	-	203520	-	208721
Disallowance under IT Act and to be				
claimed in subsequent years	-	-	-	-
Carried forward loss	116900	-	71474	-
Total	116900	203520	71474	208721
Net Deferred tax Liability	-	86620	-	137247

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 2009

Particulars		Provision for Income Tax		Provision for Wealth Tax		Provision for Fringe Benefit Tax		Provision for Gratuity	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	
Opening Balance	3942	3942	60	42	1725	2221	8295	9891	
Additions	-	-	74	60	1200	1725	2216	2	
Utilisation	-	1	ı	-	-	-	606	797	
Reversals	-	-	60	42	1725	2221	-	801	
Closing Balance	3942	3942	74	60	1200	1725	9905	8295	

- 2.25 Prior Year Income / Expense (net) in Profit and Loss account consist of expenses of prior year Rs.21.56 Lakhs. (Previous Year Rs.90.06 Lakhs) and income of prior year amounting to Rs.1.58 Lakhs (Previous Year Rs.70.90 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.28.05 Lakhs of more than 30 days and exceeding Rs.1.00 Lakh to the following parties: Acme Textiles Rs.18.25 Lakhs, Amaravathi Tubes & Cones Rs.8.59 lakhs and Nava Bharathi Industries Rs.1.21 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.
- The Company has assessed the recoverable value of its assets and which is higher than the carrying 2.27 value, hence provision for impairment does not arise for the period.
- 2.28 Since 11.07.2004 the company has opted for full excise duty exemption. 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

25th June, 2009

Coimbatore

Membership No.27497

KG BAALAKRISHNAN

Executive Chairman

S MUTHUSWAMY

Director & Company Secretary

B SRIRAMULU Managing Director

B SRIHARI

Managing Director



ı	BALANCE SHEET ABSTRACT AND COMPARegistration Details	ANY'S GENERAL BUSINE	SS PROFILE
	Registration No. 1 8 1 - 3 7 9 8	State Code	1 8
	Balance Sheet Date 31st March 2009		
II	Capital Raised during the year (Rs. 000's)		
	Public Issue N I L	Rights Issue	N I L
	Bonus Issue N I L	Private Placement	N I L
Ш	Position of Mobilisation and Deployment of Fund	ds (Rs. 000's)	
	Total Liabilities 1 7 8 5 4 2 5	Total Assets	1 7 8 5 4 2 5
	Sources of Funds	Application of Funds :	
	Paid-up Capital 2 5 6 6 5 1	Net Fixed Assets	1 2 4 2 1 7 0
	Reserves & Surplus 1 6 8 5 1 0	Capital Work -in- Progress	NIL
	Deferred Tax Liability 8 6 6 2 0 (Net)	Net Current Assets	4 9 0 0 8 3
	Secured Loans 1 2 2 7 4 9 5	Investments	5 3 1 7 2
	Unsecured Loans 4 6 1 4 9	Misc. Expenditure	NIL
IV	Performance of Company (Rs.000's)		
	Turnover 2 2 0 5 4 2 5	Total Expenditure	2 0 3 4 5 4 6
	Profit/Loss Before Tax - 1 7 0 8 7 9	Profit/Loss After Tax	- 1 2 1 5 8 1
	Earnings per Share	Dividend Rate %	NIL
٧	Generic names of three principal products/Servi	ces of Company	
	(as per Monetary Terms)	Draduat Dagaria	4: a.a
	Item Code No. (ITC Code)	Product Descrip	tion
	5 2 0 9 4 2 0 0	DENIM FABRIC	S
	5 2 0 9 4 3 9 0	COTTON WOV	EN FABRICS
	5 2 0 9 3 1 9 0	100% COTTON	FABRICS
,	As per our report of even dated	VO DAALAVDIOUNAN	D CDIDAM!!!
	For GOPALAIYER AND SUBRAMANIAN Chartered Accountants	KG BAALAKRISHNAN Executive Chairman	B SRIRAMULU Managing Director
	CA. R MAHADEVAN Coimbatore Partner 25th June, 2009 Membership No.27497	S MUTHUSWAMY Director & Company Secretary	B SRIHARI Managing Director

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	31.03.2009	31.03.2009
3		Date from which they became Subsidiary Companies	07.09.2005	06.07.2005
4	а	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		
	а	Loss for the Subsidiary's Financial Year ended 31st March, 2009	Rs.133.50 Lakhs	Nil
	b	Loss for the previous years of the Subsidiary since it became the Subsidiary of K G Denim Ltd	Rs.127.56 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		
	а	For the Subsidiary's financial year ended on 31st March, 2009	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 2009 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.
- 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 2009;
 - (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

Coimbatore Partner 25.06.2009 Membership No.27497

PARTICULARS		SCHEDULE	AS AT 31.03.2009	AS AT 31.03.2008
SOURCES OF FUND	\$		(1	Rs.000's)
SHAREHOLDERS' F	FUNDS			
Share Capital		1	25 66 51	25 66 51
Reserves & Surplus		2	14 24 04	27 73 35
LOAN FUNDS			39 90 55	53 39 86
Secured Loans		3	1 27 62 79	1 27 98 85
Unsecured Loans		4	4 65 81	6 51 17
2		•	1 32 28 60	1 34 50 02
Defensed Teaching	Sec. (NL-1)			
Deferred Tax Liabil	ity (Net)		7 43 69	13 08 06
Total			1 79 62 84	2 00 97 94
APPLICATION OF FU	JNDS	_		
FIXED ASSETS		5	0.40.45.00	0.44.50.05
Gross Block Less: Depreciation			2 19 15 89 94 18 90	2 14 58 25
•				81 37 70
Net Block			1 24 96 99	1 33 20 55
Capital Work in Progr	ess		-	-
INVESTMENTS		6	3 31 37	3 31 37
NET CURRENT ASSE	ETS			
Current Assets, Loan	s & Advances			
Inventories		7	73 33 88	67 31 98
Trade Debtors		8 9	22 02 98	30 21 48
Cash and Bank Balan Loans & Advances	ices	9 10	7 87 99 24 01 95	6 92 12 15 56 15
Income Receivable		10	24 01 95	3 12 94
moome receivable				
Less : Current Lia	bilities & Provisions		1 30 09 11	1 23 14 67
Current Liabili	ties	11	77 06 56	57 08 04
Provisions		12	1 68 64	1 61 01
			51 33 91	64 45 62
MISCELLANEOUS E	XPENDITURE	13	57	40
(To the extent not	written off or adjusted)			
Total			4 70 62 94	2.00.07.04
Total		21	1 79 62 84	2 00 97 94
Notes on Accounts		21		
As per our report of e	ven dated YER AND SUBRAMANIAN	KC BAALAKD	ICHNAN	D CDID AMIII II
FOI GOPALAI	Chartered Accountants	KG BAALAKR Executive Chai		B SRIRAMULU Managing Director
				Managing Director
Coimbatore	CA. R MAHADEVAN Partner	S MUTHUSWA		B SRIHARI Managing Director
25th June. 2009	Membership No.27497	טוופטנטו מ טווו	pany Secretary	Managing Director

25th June, 2009 Membership No.27497

PARTICULARS	SCHEDULE	31.03.2009	31.03.2008
INCOME		((Rs.000's)
Sales (Gross/Net)	14	2 42 57 60	2 33 86 05
Increase in Stock	16	7 35 27	-3 66 38
		2 49 92 87	2 30 19 67
Job work receipts		8 98 36	6 90 64
Other Income	15	5 31 18	4 99 79
		2 64 22 41	2 42 10 10
EXPENDITURE			
Material Cost	17	1 61 10 98	1 37 19 35
Manufacturing Cost	18	41 17 85	35 50 83
Other Operating Expenses	19	44 13 46	50 65 60
		2 46 42 29	2 23 35 78
GROSS PROFIT		17 80 12	18 74 32
Less: Financial Charges	20	20 68 20	18 45 61
Loss/Gain on variation in Foreign Exchain	nge Rate(Net)	2 76 70	-73 45
Depreciation		13 11 04	12 80 92
PROFIT / LOSS FOR THE YEAR		-18 75 82	-11 78 76
Add : Prior Year Income / Expenses (Net)		19 98	57 92
Excess Provision for Expenses Written E	Back	-	-7 97
Provision for Fringe Benefit Tax Provision for Wealth Tax		16 58 74	27 35
Provision for Wealth Tax Provision for Deferred Tax		-5 64 36	60 -4 33 59
Prior Year Taxes		-5 64 56 55	-4 33 59 8
NET PROFIT / LOSS		-13 49 31	-8 23 15
Add: Balance Brought forward		7 73 20	15 96 35
Balance Transferred to Balance Sheet		-5 76 11	7 73 20
Earnings per Share (Basic & Diluted)-Face	value Rs.10 per Sha	re (5.26)	(3.21)
Weighted Number of Equity Shares		25653905	25653905
Notes on Accounts	21		
As per our report of even dated For GOPALAIYER AND SUBRAMANIAI	_		B SRIRAMULU
Chartered Accountant			Managing Director
CA. R MAHADEVAI Coimbatore Partne			B SRIHARI Managing Director

PA	RTICULARS		31.03.2009	31.03.2008
Α.	CASH FLOW F	ROM OPERATING ACTIVITIES :		(Rs.000's)
	Net profit / loss to Adjustments for	pefore tax and extraordinary items	-187582	-117876
	Depreciation	on	131104	128092
	Profit/Loss	on sale of assets	2232	1144
	Interest Ch	narges	206820	184561
	Operating Prof Adjustments for	it before working capital cha	nges 152574	195921
	Trade and	other receivables	76016	-97843
	Inventories	3	-60190	102501
	Loans & A		-84619	-52315
	Income Re		3063	-7552
	Current Lia		206460	64060
		d from operations	293304	204772
		ore extraordinary items	293304	204772
	Extraordinary ite		-3785	-7798 106074
_		operating activities	289519	196974
В.		ROM INVESTING ACTIVITIES: le of fixed assets	0407	617
	Acquisitions of		2137 -53117	-68366
	Investments	IIVER GOOGIO	-19507	-00300
		in investing activities	-70487	-67745
C.		ROM FINANCING ACTIVITIES:	. 3-01	01110
٥.		ssue of Equity Share Capital	19507	55554
		are Premium on issued of Equity S		44446
		long term borrowings	-34730	49388
	From Short Terr	· ·	18129	-9450
	Bank Borrowing		-5531	20160
	Interest paid	,~	-206820	-184561
	•	Preference Share Capital	-200020	-100000
		in financing activities	-209445	-124463
		n cash and cash equivalents		4766
		equivalents as at 1st April, 2008		
	(Opening Balance	,	69212	64446
	(Closing Balance	equivalents as at 31st March, 200 e)	9 78799	69212
	(Sissing Balano	- ,	.0133	00212
As p	per our report of ev For GOPALAI	YER AND SUBRAMANIAN	KG BAALAKRISHNAN	B SRIRAMULU
		Chartered Accountants	Executive Chairman	Managing Director
Coir	mbatore	CA. R MAHADEVAN Partner	S MUTHUSWAMY Director & Company Secretary	B SRIHARI Managing Director
JUII	n June, 2009	Membership No.27497	Director & Company Secretary	Managing Director



SCHEDULES ANNEXED TO THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009 AND CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS	AS AT	AS AT
	31.03.2009 (Rs.0	31.03.2008 00's)
SCHEDULE 1 : SHARE CAPITAL	(.10.0	
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	10 00 00	10 00 00
Issued Capital		
25691305 Equity Shares of Rs.10 each	25 69 13	25 69 13
Subscribed and Paid up Capital		
25653905 Equity Shares of Rs.10 each	25 65 39	25 65 39
Add: Forfeited Shares	1 12	112
	25 66 51	25 66 51
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 (-) 5 76 11	9 79 60	-
Surplus in Profit & Loss A/c		7 73 20
	14 24 04	27 73 35
SCHEDULE 3: SECURED LOANS		
Rupee Term Loans	81 19 29	83 66 59
Working Capital Loans from Banks	46 43 50	44 32 26
	1 27 62 79	1 27 98 85
SCHEDULE 4 : UNSECURED LOANS		. 27 00 00
From Banks	50 78	1 09 20
Inter Corporate Deposits	4 00 00	5 00 00
From Others	15 03	41 97
	4 65 81	6 51 17

1 12345678901234567890123456789012123456789012345678901234567890121234567890123456789

SCHEDULE 5: FIXED ASSETS

(Rs. 000's)

	GROSS BLOCK				DEPRECIATION BLOCK				NET E	BLOCK
	Cost	Additions	Sales/	Total cost	Up to	Depreciation	Withdrawn	Up to	As at	As at
Description	as at	during the	Transfer during the	as at	31.3.2008	for the	during	31.3.2009	31.3.2009	31.3.2008
of Assets	31.3.2008	year	year	31.3.2009		year	the year			
Land	38847	222	-	39069	-	-	-	-	39069	38847
Buildings	260477	4217	-	264694	50310	7683	-	57993	206701	210167
Machinery	1672611	43227	7097	1708741	683774	114164	2765	795173	913568	988837
Electric Machinery	90715	2535	-	93250	40668	4349	-	45017	48233	50047
Office Equipments	42491	1144	15	43620	25932	1866	1	27797	15823	16559
Furniture & Fittings	15139	1772	-	16911	4003	1000	-	5003	11908	11136
Motor Vehicles	25545	_	241	25304	9083	2042	218	10907	14397	16462
Total	2145825	53117	7353	2191589	813770	131104	2984	941890	1249699	1332055
Previous Year	2041876	106419	2470	2145825	686387	128092	709	813770	1332055	1355489

SCHEDULE 6 : INVESTMENTS (At Cost) Non Trade Investments - Quoted	AS AT 31.03.2009 (F	AS AT 31.03.2008 Rs. 000's)
Allahabad Bank		
5265 Equity Shares of Rs. 10/- each (Market Value Rs. 2,04,545/-)	4 32	4 32
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	5
	3 31 37	3 31 37
SCHEDULE 7: INVENTORIES		
Raw Materials	11 75 34	11 15 56
Process Stock	11 30 58	11 94 67
Finished Goods	44 50 14	37 14 87
Stock of Waste	4 73	8 10
Stock of Stores	5 73 09	6 98 78
(As taken, valued and certified by the Management)	73 33 88	67 31 98
SCHEDULE 8: TRADE DEBTORS		
Unsecured - Considered Good		
Outstanding for More than Six Months	7 33 09	10 79 36
Others	14 69 89	19 42 12
	22 02 98	30 21 48

PARTICULARS	AS AT	AS AT
FARTICULARS	31.03.2009	31.03.2008
	(Rs	i.000's)
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash and Cheques in Hand	20 72	16 61
Bank Balances (with Scheduled Banks)		
In Current Accounts	2 72 55	2 37 38
In Deposit Accounts	4 94 72	4 38 13
	7 87 99	6 92 12
SCHEDULE 10: LOANS AND ADVANCES		
Unsecured Considered Good:		
Advances Recoverable in cash or in kind or for value to be received		
For Capital Goods	34 34	38 97
For Materials Purchases	13 38 81	1 02 15
For Duties & Taxes	2 88 57	2 72 45
For Subsidy Receivable from Govt Agencies	3 12 54	3 06 01
For Expenses/Others	2 22 07	7 08 38
Deposits Proceeds to the control of	55 86	42 54
Prepaid Expenses	1 49 76	85 65
	24 01 95	15 56 15
SCHEDULE 11: CURRENT LIABILITIES		
Creditors for Capital Goods	2 49 42	1 65 48
Creditors for Purchases (Other than SSI)	58 25 82	39 31 48
Creditors for Purchases (For SSI Units)	49 68	11 86
Liability for Expenses	12 60 18	12 50 10
Liability for Other Finances	1 48 75	1 26 62
Customers Credit Balances	1 05 61	1 54 99
Investor Education and Protection Fund shall be		
credited by the following amount namely @		
Unpaid (Unclaimed) Matured Debentures	41 12	41 42
Unpaid (Unclaimed) Interest on Debentures	25 98	26 09
@ No amount is due as on 31st March 2009 for credit to		
Investor Education and Protection Fund. The actual		
amount to be transferred to the fund in this respect will		
be determined on the respective due dates.	77 06 56	57 08 04
SCHEDULE 12 : PROVISIONS		
For Income Tax	39 42	39 42
For Wealth Tax	74	60
For Fringe Benefit Tax	16 58	27 35
For Gratuity	1 11 90	93 64
·	1 68 64	1 61 01
SCHEDULE 13: MISCELLANEOUS EXPENDITURE	1 00 04	
	_	
To the extent not written off or adjusted	57	40

PARTICULARS	31.03.2009	31.03.2008
	(Rs.	000's)
SCHEDULE 14 : SALES		
abrics	2 05 93 13	1 93 14 13
Garments	33 61 94	37 73 09
⁄arn	1 09 42	73 72
Vaste\Others	<u>1 93 11</u>	2 25 11
	2 42 57 60	2 33 86 05
SCHEDULE 15: OTHER INCOME		
nterest Receipts (TDS - Rs.9,62,490)	43 88	35 00
nterest Subsidy Receipts	3 83 90	3 84 51
nsurance Claims Received	13 58	4 80
Exchange Gain on Export Sales	11 59	14 17
Profit on Sale of Assets	66	4
Dividend Receipts	18	16
ease Rent Receipts	-	36 00
/liscellaneous Receipts	77 39	25 11
	5 31 18	4 99 79
SCHEDULE 16: INCREASE IN STOCK		
Closing Stock of Finished Goods	44 50 14	37 14 87
Opening Stock of Finished Goods	37 14 87	40 81 25
	7 35 27	-3 66 38
SCHEDULE 17: MATERIAL COST		
Raw Materials Consumed		
Opening Stock of Raw Materials	11 15 56	16 37 31
Process Stock	8 39 12	9 84 31
Vaste	8 10	2 44
	19 62 78	26 24 06
Add: Purchases	1 06 91 56	85 69 03
	1 26 54 34	1 11 93 09
ess: Closing Stock of Raw Materials	11 75 34	11 15 56
Process Stock	7 61 62	8 39 12
Waste	473	8 10
	1 07 12 65	92 30 31
Fabrics / Garments Purchases / Consumption	1 07 12 05	92 3U 3 I
Opening Process Stock	3 55 55	4 04 85
Add: Purchases	22 35 22	14 06 69
Add . I diolidaca		
	25 90 77	18 11 54
.ess : Closing Process Stock	3 68 96	3 55 55
	22 21 81	14 55 99
Chemicals Consumed	24 42 00	21 45 50
Stores Consumed	7 34 52	8 87 55
otal Material Cost	1 61 10 98	1 37 19 35



PARTICULARS	31.03.2009	31.03.2008
	(Rs.	000's)
SCHEDULE 18: MANUFACTURING COST		
Power and Fuel	20 43 03	16 18 63
Personnel Cost: (Including Managerial Remuneration)		
Salaries, Wages, Incentives, Gratuity etc	13 15 90	11 79 27
Contribution to Provident Fund and Other Funds	50 74	46 67
Employees Welfare Expenditure	96 64	66 95
	14 63 28	12 92 89
Repairs and Maintenance		
For Buildings	39 10	95 77
For Machinery	4 51 31	4 61 31
For Others	1 17 71	77 74
For Prayer Hall	3 42	4 49
	6 11 54	6 39 31
Total	41 17 85	35 50 83
SCHEDULE 19: OTHER OPERATING EXPENSES		
Processing Charges	22 29 95	28 79 67
Rent	1 06 62	1 19 50
Printing and Stationery	35 12	37 78
Postage, Telegrams and Telephones	1 26 12	1 13 36
Professional and Legal Charges	54 30	34 28
Auditors' Remuneration	3 65	3 09
Insurance	85 90	58 78
Duties, Taxes and Licenses	60 34	54 95
Donations	9	22
Traveling Expenses and Maintenance of Vehicles	2 50 02	2 43 76
Brokerage and Commission Selling Expenses	3 57 49 5 88 28	2 04 65 7 04 35
Advertisements	40 08	93 42
Freight Outwards	3 25 93	3 00 77
Directors Sitting Fees	3 70	3 80
Software Development Expenses	28 45	22 00
Miscellaneous Expenses	94 44	1 79 74
Loss on Sale of Fixed Assets	22 98	11 48
200 0 00.0 0. 1 1/100 / 100010	44 13 46	50 65 60
	44 13 40	30 03 00
SCHEDULE 20 : FINANCIAL CHARGES		
Interest on :- Term Loans	9 44 12	9 34 03
Other Loans	1 00 77	9 34 03 26 44
Working Capital Term Loans	7 81 96	7 22 68
Bank Charges	2 41 35	1 62 46
J		
	20 68 20	18 45 61

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SCHEDULE 21:

NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009 <u>SIGNIFICANT ACCOUNTING POLICIES</u>

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 CompanyCountry of IncorporationProportion of Voting Power as on 31.03.2009Trigger Apparels LimitedIndia100%KG Denim (USA) Inc.Delaware USA100%

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:

a) Particulars of Stocks, Production and Sales:

(Rs.000's)

31.03.2008

Particulars	Openi	ing Stock	Production	Closir	ng Stock	Purc	hases	Sales	3
	Qty.	Value Rs.	Qty.	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.
2008-2009	2008-2009								
1 Cloth (in Mtrs)	3474529	310238	21508275	3546254	358347	_	265362	21183393	2059313
2 Garments (in Nos)	205633	61249	694560	250545	86667	85482	22165	741238	336194
2007-2008									
1 Cloth (in Mtrs)	3920033	346315	21289025	3474529	310238	-	192533	21369419	1931413
2 Garments (in Nos)	215870	61810	929543	205633	61249	133418	21368	1073198	377309

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

31.03.2009

b)	Raw	Material	Consumption
----	-----	----------	-------------

Cotton Kgs Yarn Kgs Fabric Mtrs	Qty. 38 84 045 65 37 512 37 36 589	(Rs.000's) 30 25 07 70 25 09 26 68 25	Qty. 59 91 576 53 99 588 30 72 854	(Rs.000's) 33 55 28 50 22 27 20 95 06
Auditors' Remuneration Audit fee Tax Audit Other Services		1 54 86 1 25		1 58 62 89

For all other common notes forming part of Consolidated Financial Statements, please refer the notes of Holding Company K G Denim Limited and its Subsidiary, Trigger Apparels Limited.



Registered Office: Then Thirumalai Coimbatore - 641 302.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the SEVENTEENTH ANNUAL GENERAL MEETING of the Members of K G DENIM LIMITED will be held on Tuesday, the 29^{th} day of September 2009 at 10.30 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 2009, the Profit and Loss Account for the year ended 31st March 2009 and the Reports of the Directors and Auditors thereon.
- 2. To appoint a Director in place of Shri G V S Desikan, who retires by rotation and being eligible, offers himself for reappointment.
- 3. To appoint a Director in place of Shri K N V Ramani, who retires by rotation and being eligible, offers himself for reappointment.
- 4. To appoint a Director in place of Shri V Jagadisan, 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, 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."

Coimbatore St.06.2009 By Order of the Board KG Baalakrishnan 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 17.09.2009 to 29.09.2009 (both days inclusive).
- 5. Re-appointment of Directors:

At the ensuing Annual General Meeting Shri G V S Desikan, Shri K N V Ramani and Shri V Jagadisan 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 KG Baalakrishnan
25.06.2009 Executive Chairman

K G DENIM LIMITED

Registered Office : Then Thirumalai Coimbatore - 641 302.

Please complete the Admission Slip and hand it over at the entrance of the Meeting Hall

 \not

Please also bring your copy of the en		and ormanice or and meeting riam
	ADMISSION SLIP	
I hereby record my presence at the 17th	th Annual General Meeting	of the Company on 29th September, 200
Reg. Folio No. :		No. of Shares :
Name of the Shareholder :		
(In Block Capitals)		
Signature of the Shareholder / Proxy	:	
	-	
K	G DENIM LIMIT	ED
Re	gistered Office : Then Thirur Coimbatore - 641 302.	nalai
Reg. Folio No. :	PROXY FORM	No. of Shares :
I		being a Member of
K G DENIM LIMITED hereby appoint		Son / Husband of
	or	Son / Husband of
as my	y proxy to attend and vote	e for me and on my behalf at the
17th Annual General Meeting of the Co	mpany to be held on Tue	sday, the 29th September, 2009
at 10.30 a.m. at KG DENIM LIMITED, The	en Thirumalai, Coimbatore -	641 302 and at any adjournment thereof.
Signed this day of	, 2009	
Affix 1/- Re. Revenue Signature Stamp		
Note: The Proxy in order to be effection not less than 48 hours before the ti	· ·	he Registered Office of the Company

Sharavana Cbe 0422 2241113