

# KPR

MILL LIMITED

growing stronger  
despite all odds..

7th annual report 2009 - 10

# HIGHLIGHTS

## 2009-10

**Total Revenue : Rs. 83,709 Lakhs**

**PBDIT: Rs. 16,717 Lakhs**

**PBT: Rs. 6,934 Lakhs**

**PAT: Rs. 5,043 Lakhs**

**Cash Profit: Rs. 12,093 Lakhs**

**Assets: Rs. 1,18,051 Lakhs**

**Net worth: Rs. 53,618 Lakhs**

**EPS: Rs. 13.38**

**Cash EPS: Rs. 32.09**

KPR's journey into textiles began in the year 1984. In 1989, the group ventured into garment exports. Today KPR is a leading garment exporter as well as a largest vertically integrated apparel company, engaged in manufacturing and marketing readymade knitted garments, Knitted fabrics and cotton yarn. KPR Mill has a cumulative capacity of 2,12,064 spindles to produce 54,000 MT of yar per annum; 201 circular knitting machines to produce 21,000 MT of fabrics per annum; garmenting facility to produce 63 million pieces of ready-made knitted apparel per annum (operating double shift) and 'State of the Art' processing facility to process 23 MT per day; 40 Wind mills with total power generation capacity of 40 MW.





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# Chairman's Letter

Dear Shareholders,

The Seventh Annual Report in your Hands clearly manifest the Unique Strength and Strategies of the Company.

We can look back at the Company's performance in 2009-10 with a sense of satisfaction and achievement, having well proven we have the necessary experience and dynamic strategy to achieve sustainable growth amidst a reviving macro environment.

Fiscal 2010 saw the Indian economy witnessing broad-based recovery with increase in investment, production, employment and exports. India ended financial year 2010 with higher-than-anticipated 7.4% GDP growth, largely led by strong growth of 10.8% in the manufacturing sector. The textile Industry also entered revival mode in the latter half of financial year. Domestic demand revived strongly owing to the stimulus measures initiated by the Indian government which brought economic growth and improvement in liquidity. Exports have also turned positive.

We are pleased to report that your Company continued its growth momentum with strong traction in revenues and profitability during 2009-10. Consolidated revenues for fiscal 2010 witnessed a growth of 11.5% year-on-year to reach Rs 837 Crores, driven by improved performance across all key product segments. The Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the year increased by 49.1% to Rs 167 Crores (20%) from Rs.112 Crores (15%) of previous year. During the same period, our Net Profit increased to Rs 50.43 Crores from Rs.10.10 Crores of previous year. The sharp improvement in profitability resulted from an improved product mix and increase in capacity utilization during the year.

Our continued focus on premium products, expansion in export markets and internal efficiency enhancements collectively ensured robust performance for your Company during fiscal 2010. Large and high value export orders during fiscal 2010, led to increase in contribution of exports to 29.2% of revenues from 25.1% in the previous fiscal. Exports grew 30% to reach Rs 234 Crores from Rs.180 Crores in the previous year.

In order to capitalize on improving market scenario, we focused our efforts on optimizing the product mix and enhancing production efficiencies. While the revenue contribution from yarn remained over 50%, that from garment and fabric segment increased to 28.5% and 14.2%, respectively in fiscal 2010, from 24.4% and 12.6% in the previous fiscal. During the year, the Company has promoted Quantum KNITS PVT. LIMITED, a wholly owned subsidiary, to focus on high end garment market and high value customers. The separate identity is expected to create strategic and administrative advantages over the long run.

Your Company continues to focus on its various internal power saving initiatives and line balancing operations to ensure optimum utilization of resources. This, coupled with improved power availability in the state of Tamil Nadu, led to increase in overall capacity utilization to 80% in fiscal 2010 from 67% in previous fiscal.

With current operations headed towards optimum capacity utilizations, your company is now ready for new avenues. In line with our strategy to focus on premium products for sustained growth and returns enhancement, the Company initiated expansion of compact yarn manufacturing facility. We plan to add over 100,000 spindles to meet the growing demand of compact yarn in both international and domestic markets. Our new project is expected to be completed by the end of April 2011 in a phased manner. Besides, a Modernisation and Expansion of spindlage at Sathyamangalam Mill is also planned. These would help us achieve improved productivity and higher margins in the yarn segment from fiscal 2012.

We have always been committed to growing responsibly with minimization of waste, efficient consumption of energy and fresh water. As a further step towards our Green Initiatives, the Company is augmenting its captive wind energy generation capacity by 24 MW to add to our existing 40 MW. The project is expected to be completed by the end of November 2010 in a phased manner and will support our expansion program.

We also share with you yet another pride of being awarded by TUV – SIMA, a Five Star Category indicating 'Excellence' in Code of Discipline for providing Women Employment.

Bolstered by our confidence in our strengths and capabilities, we are sure of the capacity expansion working well. The economic recovery is gaining momentum. The substantial rebound in trade and growth in Asia is accelerating the recovery process in developed economies as well. I believe that the improving industry outlook, coupled with our inbuilt competitive advantages and well defined future strategies, would help us accelerate sustainable growth in coming years.

## TÜV Rheinland STAR<sup>®</sup> Rating

For  
SIMA - Code of Discipline for Women Employment  
@  
KPR MILL LIMITED  
S.F. 525, Neelambur (Po)  
Coimbatore - 641 014, Tamilnadu, India.

### Recruitment, Selection and Training \*\*\*\*\*

- Recruitment
- Documentation
- Selection Process
- Induction and Training

### Amenities and Food \*\*\*\*\*

- Hostel & Amenities
- Food
- Washing and Clearing
- Disposal and Drainage

### Legal Compliance \*\*\*\*\*

- Working Hours
- Remuneration
- Health and safety
- Rest Rooms
- Creche
- Holidays

### Welfare and General \*\*\*\*\*

- Welfare
- Environment
- General

### TÜVRheinland STAR<sup>®</sup> Rating

Rating Registration Date: 2010.05.25  
Rating Expiration Date: 2012.05.24  
TUV Rheinland Rating ID: 7001-2010-05-25-01

*K.P. Ramasamy*

TUV Rheinland Rating Body

2010.09.29

Date



As curtains draw on fiscal 2010, we would like to thank all our stakeholders for their consistent support and trust. We believe we are heading towards the path of sustained growth and look forward to your continued support in achieving our goal.

With best wishes  
**K.P. Ramasamy**  
Chairman



Board of Directors



**K.P. Ramasamy**  
Chairman



**K P D Sigamani**  
Managing Director



**P. Nataraj**  
Managing Director



**Shujaat Khan**  
Director



**K.N.V. Ramani**  
Director





**M.J. Vijayaraaghavan**  
Director



**G.P. Muniappan**  
Director



**Dr. K. Sabapathy**  
Director



**A. M. Palanisamy**  
Director



**A. Sekar**  
Whole Time Director

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#### **REGISTERED OFFICE**

No. 9, Gokul Buildings, 1<sup>st</sup> Floor  
A.K.S. Nagar, Thadagam Road  
Coimbatore - 641 001.

#### **CORPORATE OFFICE**

270 J, Periyar Colony  
Annupparpalayam  
Tirupur - 641 652

#### **J.S.KUMAR**

Vice President (Finance)

#### **P. KANDASWAMY**

Company Secretary

#### **BANKERS**

Bank of Baroda  
Bank of India  
Corporation Bank  
IDBI Bank Limited  
Oriental Bank of Commerce  
State Bank of India  
State Bank of Mysore  
State Bank of Travancore  
The Karnataka bank Limited  
United Bank of India

#### **Internal Auditors**

Mr. A. Vetrivel B.Sc., F.C.A.,  
Chartered Accountant  
1/1 Seth Narayan Das Layout  
2<sup>nd</sup> Street  
Tatabad  
Coimbatore - 641 012

#### **Statutory Auditors**

M/s. DELOITTE HASKINS & SELLS  
Chartered Accountants  
41, Shanmuga Manram  
Race Course  
Coimbatore - 641 018

#### **Registrar and Share Transfer Agents**

Kavy Computershare Private Limited  
Unit : KPR MILL LIMITED  
17-24 Vittal Rao Nagar  
Madhapur  
Hyderabad - 500 081

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## Directors Report

Dear Shareholders,

Your Directors have pleasure in presenting the Seventh Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2010:

### CONSOLIDATED FINANCIAL RESULTS

(Rs. in Lakhs)

Particulars	2009-10	2008-09
Sales and Other Income		
Domestic Sales	56,903.84	53,809.02
Export Sales	23,417.07	18,008.73
Other Income	3,388.27	3,208.73
	<b>83,709.18</b>	<b>75,026.48</b>
Profit before Interest & Depreciation	16,717.41	11,262.33
Less : Interest	2,733.25	3,836.89
Depreciation	7,049.73	5,595.44
Profit Before Tax	6,934.43	1,830.00
Less : Taxation		
Provision for Current Tax (MAT)	1,185.05	207.34
Less : MAT Credit Entitlement	676.85	2.42
	<b>508.20</b>	<b>204.92</b>
Provision for Deferred Tax Liability	1,382.72	588.56
Provision for Fringe Benefit Tax	-	26.18
Profit After Tax	5,043.51	1,010.34
Add: Balance in Profit & Loss Account	17,642.25	17,589.43
Amount available for Appropriation	22,685.76	18,599.77
Appropriation		
Transfer to General Reserve	504.35	75.78
Interim Dividend	1,507.32	-
Tax on Interim Dividend	250.35	-
Proposed Dividend	565.24	753.66
Tax on Proposed Dividend	93.88	128.08
Surplus Transferred to Balance Sheet	19,764.62	17,642.25
	<b>22,685.76</b>	<b>18,599.77</b>

### REVIEW OF OPERATIONS

The Fiscal 2010 was an Year challenged by severe power cut resulting in reduced capacity utilisation, Price spiral in cotton, difficult Global Economy, rise in Labour Cost in line with a jump in legal Minimum wages etc. However your Company on a Consolidated basis, with its unique strengths and strategies achieved an impressive Total Revenue of Rs. 837 Crores, 11.6% over last year's Rs. 750 Crores and a significant growth in profitability with EBIDTA for the current year Rs. 167 Crores from Rs. 112 Crores in previous year, an increase of 49%. Net profit increased to Rs. 50 Crores in current year from Rs. 10 Crores in the previous year due to improved product mix and overall increase in capacity utilization to 80% as against 67% in FY'09. The utilisation levels increased with improved power availability in the State, coupled with internal power saving initiatives and third party power purchase.

### DIVIDEND

In view of appreciable growth in profitability, the Board of Directors in its meeting held on 16.04.2010 have declared an Interim Dividend of Rs. 4/- per share on the Equity Capital of the Company absorbing a sum of Rs. 17.57 Crores, including Tax on Dividend. Enthused by the sustained Textile Market trend your Directors are glad to

recommend a Final Dividend of Rs. 1.50/- per Equity Share with a cash outflow of Rs. 6.59 Crores (including Tax on Dividend) that may result in a Total Dividend of Rs. 5.50 per share (55%) for the financial year 2009-10. During last year, the Dividend declared was Rs. 2/- per share (20%) with a cash outflow of Rs. 8.82 Crores (including Tax on Dividend).

### EXPANSION AND MODERNIZATION

#### COMPACT SPINNING

In line with its endeavour to continuously enhance the overall profitability and shareholder's returns, your Company planned to expand in high margin, high value-add compact yarn segment. With its unique features of low hairiness levels and improved strength, compact yarn's demand in the market has gone up with high end product manufacturers manufacturing premium cotton/knitwear products. In order to meet this growing demand of compact yarn in both international and domestic markets, your Company has started expansion into 100% compact yarn manufacturing space with plans to add 1,03,680 spindles at a total estimated cost of Rs. 310 Crores. The capacity addition would take place adjacent to the existing plant of Karumathampatti in order to achieve cost and location benefits. The expansion is expected to be completed by the end of April 2011 in a phased manner. The compact yarn would help your Company to achieve higher productivity and better realisation with reduction in wastage.

With your approval in the Extra-Ordinary General Meeting held on 30.03.2010, the utilisation of balance IPO proceeds amounting to Rs. 71.03 Crores was revised so as to venture into the expansion of "Compact Spinning capacity" instead of further expansion of garment and processing facilities. Financial closure for the balance fund requirement towards the project has also been completed and the expansion program is in progress.

Your Company adopts a strategic approach of tying up its expansion proposal with captive wind energy generation to meet its power requirements. The above expansion too would be supported by simultaneous investment in installation of incremental capacity of 24MW wind mills at an estimated cost of Rs. 128 Crores. The windmill expansion is expected to be completed by the end of November 2010 in a phased manner.

# Directors Report

## SATHYAMANGALAM MILL

To achieve greater productivity, increased efficiency, improved quality and to meet the growing demand for yarn both at Domestic and International Markets, it has been decided to modernize the existing 30,240 Spindleage at our maiden Spinning Unit at Sathyamangalam. The existing Ring frames are replaced with new Ring Frames that yield better productivity.

It is also proposed to expand the spindleage capacity by adding 17,952 spindles of recently launched LR9/AX 1632 spindles with cutting edge technologies that ensures best quality. The plan for expansion at the existing unit will reduce the per spindle cost considerably with minimal cost towards civil construction, infrastructures, managerial personnel etc.

The Total Outlay of the aforesaid Project is around Rs. 30.45 Crores, after netting off the sale of old asset for which also the financial closure with Bank has been established.

UTILISATION OF IPO PROCEEDS				(Rs. in Lakhs)
Sl. No.	Expenditure Items	As per Prospectus	Utilised upto 30th March 2010	Balance to be Utilised towards Compact Spinning Expansion vide EGM Approval Dated 30th March 2010
1	Expansion of the Apparel facility at Arasur	1,059.10	661.82	397.28
2	Setting up a Design Studio at Arasur	56.00	19.00	37.00
3	Construction of an additional hostel facility at Arasur	712.80	250.00	462.80
4	Expansion of the Processing facility at SIPCOT, Perundurai	3,970.20	-	3,970.20
5	Investment in knitting facility at Arasur	2,595.80	1,483.35	1,112.45
6	Addition of Balancing Equipments for our spinning facilities	1,381.20	266.46	1,114.74
7	General Corporate purposes-Normal Capex	2,415.60	2,300.22	115.38
8	Issue Expenses	1,111.53	1,218.65	-
	<b>Total</b>	<b>13,302.23</b>	<b>6,199.50</b>	<b>7,102.73</b>

	(Rs. in Lakhs)
Fund allocated for Compact Spinning expansion	7,102.73
Expenses incurred upto 10.06.2010 towards Compact Spinning	1,005.16
Balance amount to be utilized towards Compact Spinning Project	6,097.57

## FUTURE OUTLOOK

Your Company has a well planned strategy for sustained growth with focus on premium products to accelerate its revenues and margins. Your Company expects to continue strong performance in FY'11 also by further improving capacity utilization across all key divisions. The utilization for yarn is expected to increase from 80% in FY'10 to 90% in FY'11, for garments from 65% to 70% and for processing from 55% to 65%. This coupled with good recovery in demand globally would set the stage for strong performance for your Company in coming years.

The appreciation of Rupee remains a challenge for the Indian Exporters lowering their edge over other textile nations whose currencies have not appreciated to the same extent against US dollar. Besides, the rise in input costs in line with the global trends, the Government's policies on export of cotton & cotton yarn are also causes of concern to the Textile Industry. However our key strengths viz, Economized Labour cost through well motivated Labour force with Social empowerment, Lower Power cost through Green Energy and Strong fundamentals with consistent Growth embolden us to march ahead of all odds.

After implementing the projects envisaged, depending on the Market requirements, your Company may also scale up the capacities at process and garmenting divisions. The current capacities have been designed in a way to allow brownfield expansions at existing sites at an investment much lower than that for a Greenfield. We intend to double these capacities with minimal capex once the present facilities reach their optimum utilization levels, which currently hovers around 55% - 65%.

## FIXED DEPOSITS

The Company has not accepted any fixed deposits from public during the year under review.

## FINANCE

Your Company has been regular in meeting its obligation towards payment of Principal / Interest to Banks.

## DIRECTORS

Mr. A.M. Palanisamy B.Com., F.C.A. was appointed as a Director in the Board Meeting held on February 22, 2010, in the place of casual vacancy caused by the resignation of Mr. M. Ramji and he holds office upto the date of the 8th Annual General Meeting.

Mr. G.P. Muniappan and Mr. K.N.V. Ramani retire from the Board on rotation and are eligible for re-appointment at the forthcoming Annual General Meeting. The Notice convening the Annual General Meeting includes the proposals for re-appointment of Directors and their particulars as required by the Listing Agreement.

## SUBSIDIARY COMPANY

During the year under review your Company has promoted a wholly owned subsidiary in the name of Quantum Knits Private Limited with whom the Operations and Management of Garment Division at Arasur has been entrusted. The statement pursuant to Section 212 of the Companies Act, 1956, containing details of subsidiary of the Company, forms part of this Annual Report.

In view of the exemption received from Central Government vide letter no. 47/449/2010-CL-III dated 18.05.2010, the Audited Statement of Accounts, the reports of the Board of Directors and Auditors of the Subsidiary Companies are not annexed as required under Section 212(8) of the Companies Act, 1956. Shareholders who wish to have a copy of the full report and accounts of the subsidiaries will be provided the same on receipt of a written request from them. These documents will be put up on the Company's Website viz. [www.kprmilllimited.com](http://www.kprmilllimited.com) and will also be available for inspection by any Shareholder at the Registered Office of the Company on any working day during business hours.

## CONSOLIDATED FINANCIAL STATEMENTS

Your Directors have pleasure in attaching the Consolidated Financial Statements pursuant to Clause 32 of the Listing Agreement entered into with the Stock Exchanges and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, in this regard.

## AUDIT COMMITTEE

The Audit Committee of the Company comprises of 4 Directors viz.,

- 1) Sri. M.J. Vijayaraaghavan - Independent and Non - Executive Director (Chairman)
- 2) Dr. K. Sabapathy - Independent and Non - Executive Director
- 3) Sri. G.P. Muniappan\* - Independent and Non - Executive Director
- 4) Sri. P. Nataraj - Non - Independent and Executive Director

\* Appointed as a Member w.e.f. 07.10.2009

## AUDITORS REPORT

The Auditor's Report to the Shareholders does not contain any qualification.

## PARTICULARS OF EMPLOYEES

The information required under Section 217 (2A) of the Companies Act 1956 and the Rules made thereunder, is provided in an Annexure forming part of this Report. In terms of Section 219 (1) (b)(iv) of the Companies Act 1956, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any Shareholder interested in obtaining a copy of the same may write to the Company Secretary.

## ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under section 217(1)(e) of the Companies Act 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are provided in the Annexure to the Report.

## DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that;

- i In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii The Directors have selected 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 of the Company for the year under review.
- iii The Directors have taken proper and sufficient care for the maintenance of adequate record in accordance with the provisions of the Companies Act, 1956, for safeguard the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv The Directors have arranged preparation of the accounts for the financial year ended March 31, 2010 on a going concern basis.

# Directors Report

## **CORPORATE GOVERNANCE**

Pursuant to clause 49 of the Listing Agreement a Report on Corporate Governance along with Auditor's Certificate of its compliance forms part of the Annual Report.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT**

Management Discussion and Analysis Report as required under the Listing Agreements with the Stock Exchanges forms part of the Annual Report.

## **AUDITORS**

M/s.Deloitte Haskins & Sells, Chartered Accountants, Coimbatore the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for Re-appointment. A certificate under section 224(1B) of the Companies Act 1956, has been obtained from them.

## **INDUSTRIAL RELATIONS**

The Board congratulates the Management for adding yet another credential to its accreditations by securing 'TUV Rheinland STAR rating for -SIMA' – Code of Discipline for Women Employment Certification of 'Excellence' for one of its Units. The excellent facilities and amenities provided to the Employees by the Company are acclaimed as one of the best and set precedence in the Textile Industry. Besides, it secures a sense of satisfaction by fulfillment of its Corporate Social Responsibility too.

The relationship with employees continued to remain cordial throughout the year under review.

## **ACKNOWLEDGMENT**

Your Directors acknowledge with gratitude and express their appreciation for the assistances and co-operation received from the Bankers, Government Authorities, Customers, Vendors, Private Equity Investors and Members during the year under review. Your Directors also wish to thank the employees at all levels for their co-operation and dedication.

Coimbatore  
28.06.2010

On Behalf of the Board of Directors  
**K.P. Ramasamy**  
Chairman

### **ANNEXURE**

Annexure to the Directors' Report

**INFORMATION PURSUANT TO COMPANIES (Disclosure of Particulars in the Report of Board of Directors) RULES, 1988**

#### **A) CONSERVATION OF ENERGY**

##### **a) ENERGY CONSERVATION MEASURES TAKEN**

1. In Sathyamangalam unit, in Ring Frame the overhead cleaner suction fan was replaced by new energy saving fans without affecting the suction quality, thereby energy saving is 300 units per day.
2. In Karumathampatti unit, 7 Nos of Ring frame motor were replaced by new energy efficient motor, thereby energy saving is 300 units per day.
3. In Karumathampatti unit, carding waste recovery system the main centrifugal fan motor suction fan was replaced by new energy efficient fan, thereby energy saving is 150 units per day.
4. In Neelambur unit, all Humidification plants Humifog system implemented and Donfuss make Inverters were installed in all exhaust and supply fan motors to control the RPM and air quantity of humidification plants, thereby energy saving is 4158 units per day.
5. In Neelambur unit, dust removal fans were removed from the machine and the dust removal system pipe lines were connected in the suction fan without compromising the existing system, thereby energy saving is 782 units per day.
6. In Neelambur unit, Comber waste recovery system, the Variable frequency inverter installed for main centrifugal fan motor to control the speed of motor according to the requirement of suction, thereby energy saving is 230 units per day.
7. In Neelambur unit, Zinser simplex machines, the suction fan motor pulley size reduced for energy conservation without affecting the required suction and quality parameters thereby energy saving is 828 units per day.
8. In Arasur unit, spinning plant humifog water sprayer system implemented to control RH of Dept as like the existing humidification plant, thereby energy savings in 4 plants by stopping the water spray pumps in the humidification plant is 960 units per day.
9. In Arasur unit, Zinser simplex machines, the suction fan motor pulley size reduced for energy conservation without affecting the required suction and quality parameters, thereby energy saving is 1620 units per day.

##### **b) ADDITIONAL INVESTMENTS AND PROPOSALS, IF ANY, BEING IMPLEMENTED**

###### **FOR REDUCTION OF CONSERVATION OF ENERGY**

Further efforts are being taken to reduce energy consumption in all energy intensive equipments.

##### **c) IMPACT OF THE MEASURE (a) & (b) ABOVE FOR REDUCTION OF ENERGY CONSUMPTION AND CONSEQUENT IMPACT ON COST OF PRODUCTION OF GOODS**

The above measures have resulted in reduction in consumption of electricity and fuel oils with consequent reduction in the cost of production. Total energy consumption & energy consumption per unit of production are as per Form 'A' here below :

## Annexure to the Directors' Report

### FORM A – PARTICULARS IN RESPECT OF ENERGY CONSERVATION

Particulars	Units	2009-10	2008-09
<b>1. Power &amp; Fuel Consumption</b>			
<b>A) Electricity</b>			
i) Connected Load	KVA	21,775.00	21,275.00
ii) Purchase of Units	In Lakhs	164.76	291.78
iii) Total Amount	Rs. in Lakhs	624.88	1,098.12
iv) Rate per unit (Average)	Rs.	3.79	3.76
<b>B) Electricity / Third Party</b>			
i) Purchase of Units	In Lakhs	23.33	14.64
ii) Total Amount	Rs. in Lakhs	195.25	109.61
iii) Rate Per Unit (Average)	Rs.	8.37	7.49
<b>C) Own Generation</b>			
<b>i) Through Diesel Generator</b>			
Units generated	In Lakhs	69.27	48.16
Cost/Unit	Rs.	8.48	8.80
Units/Litre of Diesel	Units	3.51	3.40
<b>ii) Through Wind Mill</b>			
Units generated	In Lakhs	1,043.27	868.88
<b>iii) Through Steam turbine Units</b>			
Coal/Furnace Oil / Others	Units	Nil	Nil
<b>2. Consumption per unit of Production</b>			
<b>i) Production of yarn</b>			
Electricity (units) per Kg of Yarn Production	Units	2.52	2.65
<b>ii) Production of Garment</b>			
Electricity / Piece of Garment Production	Units	0.26	0.32
<b>iii) Processed Fabrics</b>			
Electricity / KG Fabric Processed	Units	1.34	1.42

### B. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT (R&D):

- Specific areas in which R&D carried out by the Company:  
Product & Quality Improvement, Development of new Products and Designs, Cost control measures, Energy Conservation etc.,
- Benefits derived as a result of above R&D:  
Sustained quality of products at economized cost.
- Future Plan of Action:  
The company continuously focus on, innovations in Textile development processes & products.
- Expenditure on R&D - NIL
- Technology absorption, adaptation and innovation:  
For consistent production of higher quality products, besides having State of the Art Machinery and Equipments, each of our manufacturing facilities are equipped with well trained Personnel and high-tech quality control equipments. Zero Discharge System of ETP at Processing Division.

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars	(Rs. in Lakhs)	
	2009-10	2008-09
i) Foreign Exchange earned through Exports amount to	23,417.06	18,008.73
ii) Foreign Exchange used	15,424.49	3,730.58

Coimbatore  
28.06.2010

BY ORDER OF THE BOARD  
K.P. Ramasamy  
Chairman

## COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's philosophy on Corporate Governance envisages the attainment of high level of transparency in all facets of procedures and reporting systems.

KPR's governance practices stems from an inherent desire to improve business excellence and to enhance the Shareholders' value with strong emphasis on transparency, accountability and integrity.

## BOARD OF DIRECTORS

The Board comprises Ten Directors viz., One Executive Chairman, Three Executive Directors, One Non-Executive Non-Independent Director and Five Independent Directors having no business relationship with the Company and constituting 50% of Board's composition. It also ensures a balanced combination of Executive Directors and Non-Executive Directors.

Name of the Director	Category	Number of Directorships held in other Companies *	Number of Board Committee Memberships held in other companies	
			Chairman	Member
Sri. K. P. Ramasamy	Executive	2	-	-
Sri. KPD Sigamani	Executive	2	-	-
Sri. P. Nataraj	Executive	2	-	-
Sri. Shujaat Khan	Non-Executive and Non-Independent	2	-	-
Sri. M.J. Vijayaraaghavan	Independent	2	2	1
Dr. K. Sabapathy	Independent	1	-	-
Sri. G. P. Muniappan	Independent	1	1	-
Sri. K.N.V. Ramani	Independent	6	6	3
Sri. A.M. Palanisamy	Independent	1	-	-
Sri. A. Sekar	Executive	-	-	-
Sri. M. Ramji**	Independent	-	-	-

\*Excluding Directorship in Non-Subsidiary Private Limited companies and Section 25 Companies.

\*\* Ceased to be a Director w.e.f. 27.08.2009

Their Directorships are within the limit prescribed. The Independent Directors have the option and freedom to interact with the Company Management periodically and they are provided with the information required to perform their functions effectively.

The roles and offices of Chairman and CEO are separated to promote balance of power.

## BOARD PROCEDURE

By deciding the dates and issue of notices well in advance, Six Board meetings were held during the year under review. These were held on 20.05.2009, 24.06.2009, 28.07.2009, 30.10.2009, 21.01.2010 and 22.02.2010. The Agenda papers containing all material information such as raw materials purchased, yarn produced, yarn sold, fabric production, fabric sales, fabric processing, garment production, export of garments, power generated, power consumed, realization, stock details, working capital facilities, term loan availment, risk exposures, annual budget, capital expenditure, sale of assets, status of projects under implementation etc., are circulated to the Directors in advance for facilitating meaningful and focused discussions at the meetings.

The attendance record of each Director at the Board Meetings and at the last Annual General Meeting is given below:

Name of the Director	Number of Board Meeting Attended	Last AGM Attended Yes / No
Sri. K. P. Ramasamy	6	Yes
Sri. KPD Sigamani	6	Yes
Sri. P. Nataraj	6	Yes
Sri. Shujaat Khan	5	Yes
Sri. M.J. Vijayaraaghavan	6	Yes
Sri. M. Ramji**	3	Yes
Dr. K. Sabapathy	4	Yes
Sri. G.P. Muniappan	6	Yes
Sri. A. Sekar	5	Yes
Sri. K.N.V. Ramani	6	Yes
Sri. A.M. Palanisamy*	Not applicable	Not applicable

\*Appointed as a Director w.e.f. 22.02.2010

\*\* Ceased to be a Director w.e.f. 27.08.2009

## Corporate Governance

### AUDIT COMMITTEE

The Audit Committee comprised 4 Directors of which 3 were Independent Directors.

The terms of reference to the Audit Committee are as per Clause 49 of the Listing Agreement as well as Section 292-A of the Companies Act, 1956.

The Audit Committee met six times on 19.05.2009, 19.06.2009, 25.07.2009, 27.08.2009, 24.10.2009 and 19.01.2010 and the attendance of each member are furnished as below:

Name of the Member	Number of Meetings Attended
1) Sri. M.J. Vijayaraaghavan - Independent and Non-Executive Director (Chairman)	6
2) Dr. K. Sabapathy - Independent and Non-Executive Director	5
3) Sri. G.P. Muniappan* - Independent and Non-Executive Director	2
4) Sri. P. Nataraj - Non-Independent and Executive Director	6

\* Appointed as a member w.e.f. 07.10.2009

All the Members of the Audit Committee are financially literate wherein two are Chartered Accountants.

Sri. P. Kandaswamy, Company Secretary acts as the Secretary of the Audit Committee.

The Audit Committee recommends the appointment of Internal Auditors and Statutory Auditors.

To ensure independence and credibility of the Internal Audit process, a well qualified and experienced person, who is not an employee of the Company, conducts Internal Audit.

### REMUNERATION COMMITTEE

The Remuneration Committee consisted of 3 Non-Executive Directors of whom 2 is Independent. No Executive Director is on the Committee.

1) Sri. M.J. Vijayaraaghavan	- Independent and Non-Executive Director (Chairman)
2) Sri. Shujaat Khan	- Non-Independent and Non-Executive Director
3) Sri. G.P. Muniappan*	- Independent Director and Non-Executive Director

\* Appointed w.e.f. 28.06.2010

The terms of reference specified by Board of Directors to the Remuneration Committee are as under:

The function of Remuneration Committee is to ensure that the Company's Remuneration policies in respect of the Directors are competitive so as to recruit and retain the best talent in the Company and to ensure appropriate disclosure of remuneration paid to the said persons.

Details of Remuneration and Sitting Fee paid to the Directors are given below:

Name of the Director	(Rs. in Lakhs)	
	Remuneration paid during the year 2009-10	Sitting fees for attending meetings of the Board and / or Committee thereof
Sri. K.P. Ramasamy	100.00	Nil
Sri. KPD Sigamani	100.00	Nil
Sri. P. Nataraj	100.00	Nil
Sri. Shujaat Khan	Nil	0.50
Sri. M.J. Vijayaraaghavan	Nil	1.60
Sri. M. Ramji**	Nil	0.30
Dr. K. Sabapathy	Nil	1.20
Sri. G.P. Muniappan	Nil	0.80
Sri. K.N.V. Ramani	Nil	0.60
Sri. A. Sekar	6.70	Nil
Sri. A.M. Palanisamy*	Nil	Nil

\* Appointed as a Director w.e.f. 22.02.2010

\*\* Ceased to be a Director w.e.f. 27.08.2009

### INVESTORS GRIEVANCE COMMITTEE

The Investors' Grievance Committee was formed to specifically look into Shareholders / Investors complaints, if any, on request for re-materialization of shares, transfer and transmission of shares, non-receipt of balance sheet, non-receipt of dividend declared etc., and also the action taken by the Company on those matters.

The Investors Grievance Committee consisted of 3 Directors of whom 2 are Independent:-

1) Dr. K. Sabapathy	- Independent and Non-Executive Director (Chairman)
2) Sri. M.J. Vijayaraaghavan	- Independent and Non-Executive Director (Vice-Chairman)
3) Sri. P. Nataraj	- Non-Independent and Executive Director

The Committee held four Meetings on 19.06.2009, 25.07.2009, 30.10.2009 and 21.01.2010 during the Financial Year.

Sri. P. Kandaswamy, Company Secretary is the Secretary to the Investors' Grievance Committee and the Compliance Officer of the Company.

During the Financial Year 2009-2010, the company has received 2 complaints from the Shareholders. All the complaints were redressed to the satisfaction of the Shareholders. No transfer was pending as on 31.03.2010.

Pursuant to Clause 47(f) of the Listing Agreement, the company has designated the following exclusive E-mail ID for the convenience of Investors: investor@kpmill.com

In addition they can also forward their grievance, if any, to the following E-mail ID: kandaswamy@kpmill.com

## CEO/VICE-PRESIDENT (FINANCE) CERTIFICATION

The CEO and Vice President (Finance) have furnished a Certificate relating to financial statements and internal controls and systems to the Board of Directors as required.

## GENERAL BODY MEETING

a) Details of Location, Date of the General Meetings held during the last three years:

Annual General Meeting	Date	Venue	Time
4th	12.05.2007	Board Room 1, Hotel Residency, Avanashi Road, Coimbatore – 641 018	10.35 A.M.
5th	19.08.2008	Ball Room, Hotel The Residency, Avanashi Road, Coimbatore – 641 018	11.30 A.M.
6th	27.08.2009	Ball Room, Hotel The Residency, Avanashi Road, Coimbatore – 641 018	11.30 A.M.

## EXTRA-ORDINARY GENERAL MEETING

Date	Venue	Time
14.11.2006	SF No. 525, Neelambur, Coimbatore – 641 014.	11.30 A.M
01.03.2007	SF No. 525, Neelambur, Coimbatore – 641 014.	10.00 A.M
30.03.2010	Hotel Rathna Regent, 708, Avinashi Road, Coimbatore-641018.	2.45 P.M

b) In the last Annual General Meeting held on 27.08.2009 Special Resolution was passed to appoint Sri. C.R. Anandakrishnan, a relative of a Director, to hold an office of Profit u/s 314 of the Companies Act.

## POSTAL BALLOTS:

For the year ended March 31st, 2010 no Resolution was passed by our shareholders through a postal ballot.

## DISCLOSURE:

- i. None of the transactions with related parties during the year 2009-2010 were in conflict with the interest of the Company.
- ii. No penalty or levy have been imposed by the Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets during last year, being the third year of listing.
- iii. Sri. K.P. Ramasamy, Chairman, Sri. KPD Sigamani, Managing Director and Sri. P. Nataraj, Managing Director are related to each other.
- iv. When the Subsidiary Company becomes material Subsidiary Company, an Independent Director of the Company will be nominated on its Board. The salient features of the Minutes of Meeting of Board of Directors of the Wholly Owned Subsidiary Company, M/s.Quantum Knits Pvt Limited are placed before the Board of Directors of the Company and the attention of the Directors are drawn to significant transaction and arrangement entered into by the Subsidiary Company.
- v. Directors Responsibility Statement and Management Discussion and Analysis Report have been furnished elsewhere in the Annual Report.
- vi. The Company has a system to inform the Members of the Board about the risk Assessment and its minimization procedure.

# Corporate Governance

## MEANS OF COMMUNICATION

The Annual Report containing the financial statements is posted to all the shareholders of the Company in compliance with the provisions of the Companies Act, 1956.

- 1 Quarterly Results published in "Business Line" (English) and in "Dinamalar" (Tamil).
- 2 The Financial Results are also accessible on the Company's Website - [www.kpmmillimited.com](http://www.kpmmillimited.com)

## SHAREHOLDERS INFORMATION

Annual General Meeting	
Day and Date	Wednesday, 25th August 2010
Time	11.30 AM.
Venue	Ball Room, Hotel The Residency, Avanashi Road, Coimbatore – 641 018

## DATE OF BOOK CLOSURE

The Register of Members and Share Transfer books of the Company will remain closed from 19th August 2010 to 25th August 2010 (both days inclusive) for the purpose of Final Dividend and Annual General Meeting of the Company.

## SHARE DETAILS:

The Equity Shares of the Company are listed at the following Stock Exchanges:

### Bombay Stock Exchange Limited,

1st Floor, Rotunda Buildings,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001.

Scrip Code : 532889

### National Stock Exchange of India Ltd.,

Exchange Plaza, Plot: C/1, G Block,  
Bandra-Kurla Complex, Bandra (E),  
Mumbai – 400 051.

Symbol: KPRMILL

The Annual Listing Fee payable to the Stock Exchanges for the Financial Year 2010-11 have been paid in full.

## DEMATERIALISATION OF SHARES:

Members have the option to hold their shares in demat form either through the National Securities Depository Limited or the Central Depository Services (India) Limited. The ISIN Number of the Company is INE930H01015. The Annual Custodian Fee payable to the above Custodians for the Financial Year 2010-11 have been paid in full.

As on 31.03.2010, shares representing 97.06 percentage of the total paid up capital of the Company are held in dematerialized form with NSDL and CDSL.

## REGISTRAR AND TRANSFER AGENTS:

**Karvy Computershare Private Limited,**

Unit: KPR MILL LIMITED,  
17-24 Vittal Rao Nagar,  
Madhapur, Hyderabad – 500 081.

Tel: +91 40 2342 0181

Toll free No: 1800 3454001

Fax: +91 40 2342 0815 - 828

E-mail : [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

## SHARE TRANSFER SYSTEM

- Share Transfers in electronic form can be effected in a much simpler and faster manner. After confirmation of the sale / purchase transaction from the broker, shareholders should approach the depository participant with a request to debit or credit the account for the transaction. The depository participant will immediately arrange to complete the transaction by updating the account. There is no need for a separate communication to the Company to register the share transfer.
- For shares transferred in physical form, the Share Transfer Committee of the company will meet to approve share transfers. For matters regarding shares transferred in physical form, Shareholders should communicate with "Karvy Computershare Private Limited", our Registrar and Share Transfer Agent.

## MARKET PRICE DATA

The details of the monthly highest and lowest closing quotations of the Equity Shares of the Company at the Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd., during the financial year 2009-2010 (from the month April 2009 to March 2010) are as under:

Month	BSE		NSE	
	High (RS. Ps.)	Low (RS. Ps.)	High (RS. Ps.)	Low (RS. Ps.)
April 2009	35.70	20.80	36.60	20.70
May 2009	54.85	31.50	54.45	31.50
June 2009	73.30	50.05	72.80	50.00
July 2009	60.90	42.75	60.00	42.25
August 2009	64.50	51.90	65.50	50.25
September 2009	87.00	58.55	86.00	58.55
October 2009	88.00	74.30	84.30	71.20
November 2009	89.90	58.25	88.10	68.50
December 2009	103.95	81.60	103.40	81.00
January 2010	111.00	86.90	112.70	86.50
February 2010	125.25	85.80	128.00	88.15
March 2010	118.20	101.00	115.00	104.50



## DISTRIBUTION OF SHAREHOLDINGS AS ON 31st MARCH 2010:

Shareholdings	No. of Share holders	% of Share holders	No. of Shares	% to Equity	
1	500	5175	91.71	5,15,513	1.37
501	1000	201	3.56	1,66,227	0.44
1001	2000	92	1.63	1,39,907	0.37
2001	3000	40	0.71	1,02,812	0.27
3001	4000	23	0.41	83,999	0.22
4001	5000	23	0.41	1,06,859	0.29
5001	10000	39	0.69	2,81,462	0.75
10001 & above	50	0.88	3,62,86,113	96.29	
<b>Total</b>	<b>5643</b>	<b>100.00%</b>	<b>3,76,82,892</b>	<b>100.00%</b>	

## SHARE HOLDING PATTERN AS ON 31st MARCH 2010:

Category	Number of Shares Held	% of Holding
Promoters & Promoter Group	2,75,44,861	73.10%
Overseas Corporate Bodies	16,11,949	4.28%
Mutual Funds	2,51,229	0.67%
Banks	30,590	0.08%
Foreign Institutional Investors	2,60,953	0.69%
Foreign Venture Capital Investors	34,98,039	9.28%
NRIs	1,04,138	0.28%
Bodies Corporate	17,74,761	4.71%
Public	26,06,372	6.91%
<b>Total</b>	<b>3,76,82,892</b>	<b>100.00%</b>

# Corporate Governance

## PLANT LOCATION:

LOCATION	TELEPHONE	FACILITIES
Indiampalayam Village, Sathyamangalam - 638 454	+ 91 4285 251490	Spinning
S.F.No.273, Kittampalayam, Karumathampatti, Coimbatore - 641 659.	+ 91 421 233 6111	Spinning
S.F. No.525, Neelambur, Coimbatore - 641 014	+ 91 422 2625115	Spinning & Knitting
S.F.No.181, Kollupalayam, Arasur, Coimbatore - 641 407.	+ 91 422 2361433	Spinning, Knitting & Garmenting
252, Periyar Colony, Tirupur - 641 652	+ 91 421 248 7081	Garmenting
SIPCOT Industrial Area, Perundurai	+ 91 4294 234145	Processing
Tirunelveli, Tenkasi & Coimbatore District		Windmills

## ADDRESS FOR CORRESPONDENCE

Non-receipt of dividend, registration of POA, status change, transfer and transmission of shares, consolidation, split and other queries may directly be sent to the Registrar & Share Transfer Agent or to the Company.

### Company Secretary,

K P R Mill Limited,  
270 - J, Periyar Colony,  
Anupparpalayam, Tirupur - 641 652.  
Ph: +91 421 248 7051

## TRAINING OF BOARD MEMBERS

The members of the Board are eminent and experienced persons and majority of them are professionals and are kept informed of the latest developments in laws, rules and regulations as also the various risks to which the company is exposed and the manner in which these risks are mitigated / minimized. Therefore the need for formal training on these issues is not felt necessary at present.

## CAPITAL INTEGRITY AUDIT

The Certificate from a Practicing Company Secretary, confirming that the total issued capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with the National Securities Depository Limited and Central Depository Services (India) Limited, is placed before the Board on a quarterly basis. A copy of the Audit Report is submitted to the Stock Exchanges where the securities of the Company are listed.

## PREVENTION OF INSIDER TRADING

Pursuant to SEBI (Prohibition of Insider Trading) Regulation, 1992, the Company has prescribed a Code of Conduct for prevention of Insider Trading through Purchase / Sale of Share of the Company by an insider on the basis of unpublished price sensitive information. The same is followed and the designated persons are disclosing the related information periodically.

Mr. P. Kandaswamy, Company Secretary has been designated as the Compliance Officer.

## DEMAT SUSPENSE ACCOUNT

(As per Clause 5A of the Listing Agreement)

Particulars	No. of Cases	No. of Shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year i.e. as on April 1, 2009	12	1,675
Number of shareholders who approached for Issuer / Registrar for transfer of shares from suspense account during the year 2009-2010	1	100
Number of shareholders to whom shares were transferred from suspense account during the year 2009-2010	1	100
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year i.e. as on March 31, 2010	11	1,575

The Voting Rights on the outstanding unclaimed shares lying in suspense account shall remain frozen till the rightful owner of such shares claims the shares.

## CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

Committed to the principles and practices of good Corporate Governance, the Company has, wherever necessary, complied with the Voluntary Guidelines issued by the Ministry of Corporate Affairs on Corporate Governance and the Non Mandatory requirements of Clause 49 of the Listing Agreement.

The above Corporate Governance Report has been placed before the Board of Directors at their Meeting held on 28.06.2010 and the same was approved thereat.

## CODE OF CONDUCT AND ETHICS – DECLARATION

"It is hereby declared that the Board of Directors of the Company have adopted a Code of Conduct for the Board Members and Senior Management of the Company and the same has also been posted in the website of the Company and that all the Board Members and Senior Management Personnel to whom this Code of Conduct is applicable have affirmed the compliance of Code of Conduct during the year 2009 – 2010."

Coimbatore  
28.06.2010

P. Nataraj  
Managing Director

# Certificate

## CERTIFICATE ON CORPORATE GOVERNANCE

The Members of K.P.R. Mill Limited

1. We have examined the compliance of conditions of Corporate Governance by K.P.R. Mill Limited (the "Company"), for the financial year ended 31 March 2010, as stipulated in clause 49 of the Listing Agreement of said Company with the Stock Exchanges.
2. The compliance of conditions of Corporate Governance is responsibility of the management. Our examination was limited to the review of the procedures and implementations thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor expression of opinion on the financial statement of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the directors and the management, we certify that the Company has complied in all material respect with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement.
4. We state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Coimbatore  
28.06.2010

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
Registration No. 008072S  
C R Rajagopal  
Partner  
Membership No.23418

## CEO/VICE PRESIDENT (FINANCE) CERTIFICATE -

Pursuant to clause 49(v) of Listing Agreement

In relation to the audited financial accounts of the Company as at March 31, 2010, We hereby certify that

- a) We have reviewed financial statements and the cash flow statement (standalone and consolidated) for the year and that to the best of our knowledge and belief:
  - i) These statements do not contain any material untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We accept that it is our responsibility to establish and maintain internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to the financial reporting and we have disclosed based on our most recent evaluation, wherever applicable, to the Auditors and the Audit Committee:
  - i) There were no deficiencies in the design or operation of internal controls, that could adversely affect the Company's ability to record, process, summarize and report financial data and there have been no material weakness in internal controls over financial reporting including any corrective actions with regard deficiencies.
  - ii) There were no significant changes in internal control during the year covered by this report.
  - iii) All significant changes in accounting policies during the year, and that the same have been disclosed in the notes to the financial statements.
  - iv) There were no instances of significant fraud of which we are aware, that involve the management or an employee who have a significant role in the Company's internal control system.

Coimbatore P. Nataraj  
11.06.2010 Managing Director

J.S. Kumar  
Vice President (Finance)

# Management Discussion & Analysis

## MANAGEMENT DISCUSSION & ANALYSIS

Your Company is pleased to report improved performance across all its key product segments for the year ended 31st March 2010. Appreciable sales growth has seen us post sharp increase in profitability amidst a reviving macro environment.

Focusing on continuous enhancement of profitability and shareholders' returns, your Company has initiated expansion into high value add 100% compact yarn manufacturing capacity from 12,000 spindles at present to 1,15,680 spindles. Thus increasing total spindlage to 3,15,744. The capacity expansion would take place at a total estimated cost of Rs. 310 Crores and is expected to be completed by March 2011 in a phased manner.

## INDUSTRY OVERVIEW & DEVELOPMENTS

Indian textile industry, the largest employment generator after agriculture, has been witnessing recovery and has clearly come out of recession. Revival signals set in during the third quarter of fiscal year 2009-10, resulting from pick-up in export demand accompanied with turnaround in domestic demand for textile products. This was supported by economic recovery, government stimulus and improvement in liquidity at the macro level. Indian textile sector reported growth of 5.8% during April-Dec'09, compared to negative growth of 1.2% during the same period in last fiscal. What is more encouraging is that the recovery, though gradual, has been broad-based with increase in investment, production, employment and exports.

Indian textile and clothing (T&C) market, estimated at around \$67bn in CY 2009, is predicted to reach \$115bn by CY 2012 growing at a CAGR of 20%. The growth would be largely driven by export contribution expected to grow at a 3 year CAGR of 31% to reach \$50bn in size by 2012. The share of exports in the total Indian T&C market would increase to 44% by 2012 from 33% in 2009. Domestic consumption is also likely to remain robust, growing at a CAGR of 13% to reach \$65bn in size by 2012 up from \$45bn in 2009.

## TEXTILE EXPORTS GROWTH

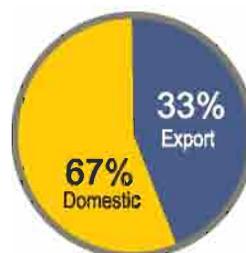
	Cotton Textiles		Ready-made Garments		Total Textile Exports	
	Value in Rs Cr.	% Share	Value in Rs Cr.	% Share	Value in Rs Cr.	% YoY Change
April-Dec'08	16,940	24.0%	32,340	45.8%	70,660	NA
April-Dec'09	16,080	22.3%	33,190	46.1%	72,040	1.9%

Source: Ministry of Textiles

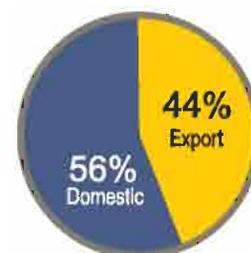
## INCREASE IN TEXTILE PRODUCTION

Production increased across various textile product categories during the fiscal year 2010. During April-Feb'10, cotton yarn production increased by 5.7% YoY and cotton fabric production by 6.5% YoY. Total fabric production stood at 54,143mn sq. mt. increasing at a healthy pace of 9.5% YoY. The growth figures reflect an industry recovery given the negative growth witnessed in all categories during the previous fiscal.

Indian T&C Market Size in 2009:



Indian T&C Market Size in 2012E:



Source: Technopak, Ministry of Textiles estimates

## EXPORTS ALREADY IN A RECOVERY MODE

With the revival in demand from Western markets, Indian textiles exports are witnessing a turnaround. The improvement is backed by pick up in orders from key markets of US and EU, which account for 60% of textile exports from India. As per the provisional data published by the Ministry of Textiles, the total textile exports were valued at Rs. 72,040 Crores, during April-Dec'09 as against Rs. 70,660 Crores, during the corresponding period of the previous year, registering an increase of 1.9% in rupee terms. The share of textile exports in total exports has increased to 12.05% during April-Dec'09 as against 10.8% during April-Dec'08.

Further, cotton textile and apparel exports to the US have recorded positive growth of 7.7% (\$443.5mn) and 8.3% (\$487.8mn) in February and March 2010. India's textile & apparel exports are expected to grow further in the current fiscal on the back of improvement in overseas retail markets and supportive government measures. Also, to maintain momentum in exports, the industry is focusing on diversification and is exploring new markets.

## TEXTILE PRODUCTION GROWTH

	Apr-Feb 2009	Apr-Feb 2010	% YoY Change
Cotton Yarn (Mn kg)	2,656	2,808	5.7%
Cotton Fabric (Mn Sq. Mt.)	24,550	26,151	6.5%
Total Fabric (Mn Sq. Mt.)	49,467	54,143	9.5%

Source: Ministry of Textiles

## OPPORTUNITIES & THREATS

### OPPORTUNITIES

#### Increasing domestic consumption

India is likely to be a beneficiary of cotton boom, as worldwide consumption & production of cotton is expected to be restored to pre-recession levels. As per the latest available data, world cotton use has increased 5.1% YoY to 115.7mn bales for the first 8 months of the current cotton year 2009-10 (August-July). Outpacing the world growth, India's cotton consumption during the same period has grown 7.3% YoY to reach 19.2mn bales, which clearly indicates signs of improving demand.

### SUPPORTED BY IMPROVING SHARE IN WORLD'S COTTON PRODUCTION

India's cotton production for the fiscal year 2009-10 increased substantially to 23.5mn bales (23% share of global production), registering 4.0% growth in output compared to a negative growth of 4.9% and 14.2% for World and China, respectively.

On a full year basis too (Cotton Year: Aug'09-July'10), India is likely to register an increase in cotton production to 24.25mn bales, producing 23.6% of the total world output, as per US Department of Agriculture (USDA) projections. Also, the USDA has projected India to register 6.7mn bales worth of cotton exports constituting 20% of total world's cotton exports for the cotton year 2009-10.

### COUNTRY WISE COTTON PRODUCTION

	2008-09	% Share	2009-10*	% Share	% Change (YoY)
China	36.7	34.1%	31.5	30.8%	-14.2%
India	22.6	21.0%	23.5	23.0%	4.0%
USA	12.8	11.9%	12.4	12.1%	-3.1%
Pakistan	9.0	8.4%	9.8	9.6%	8.9%
Brazil	5.5	5.1%	5.8	5.7%	5.5%
Uzbekistan	4.6	4.3%	4.1	4.0%	-10.9%
World	107.5	100.0%	102.2	100.0%	-4.9%

Source: Ministry of Textiles

\*Up to March'10 (Mn of 480-lb. bales)

## INDIA PROJECTED TO HAVE HIGHER COTTON PRODUCTION



The introduction of the BT seeds has brought a revolution in cotton production in India. According to seed companies in India, cotton output has shot up exponentially in the last decade and has doubled since BT cotton seeds were introduced way back in 2002. As per a recent study, more than 90% of India's cotton crop consists of genetically modified BT plants.

### FRESH INVESTMENTS WORTH \$206BN EXPECTED IN THE SECTOR

According to CRISIL research estimates, fresh investments worth \$206bn would take place in textile sector across all segments including cotton yarn, man-made fibres, and readymade garments and weaving & processing during the period 2009-10 to 2011-12.

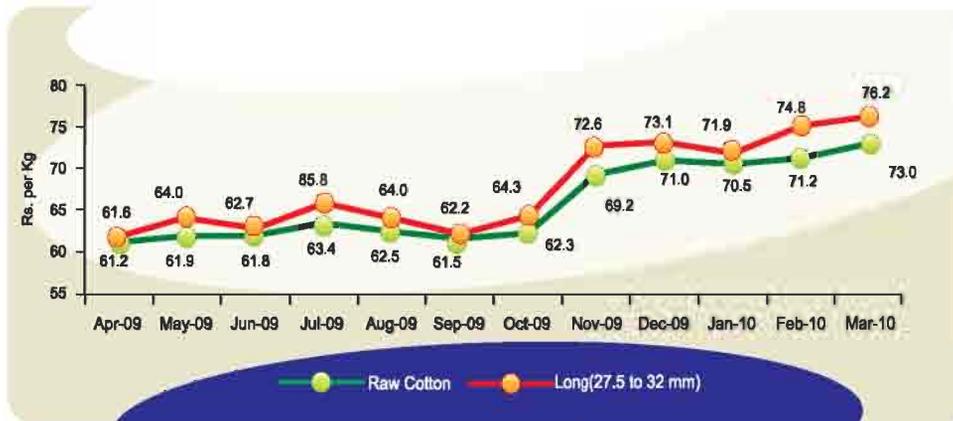
### THREATS

#### Rising cotton prices

Cotton is a key raw material input for the Indian textile industry and cotton prices, to a large extent, determine the profitability of cotton textile units. The raw cotton prices have risen sharply from October'09, driven by strong demand from China and Bangladesh due to lower cotton production globally. For example, the market price of Shankar-6 has risen to Rs. 76.2 per kg in March'10, compared to Rs. 61.6 per kg in April'09 – an increase of 23.7%. Similarly, prices of raw cotton during the same period have increased 19.3% to reach Rs. 73 per kg in March'10. Cotton prices are expected to firm up further in the current season as demand is higher than supply in the international market.

# Management Discussion & Analysis

## MORE THAN EXPECTED RISE IN RAW MATERIAL PRICES - A Key Concern



Source: Ministry of Textiles

With the rise in raw cotton prices, cotton yarn prices have also moved up. In order to keep the prices of raw cotton/yarn under check, Ministry of Textiles imposed restrictions on export of raw cotton.

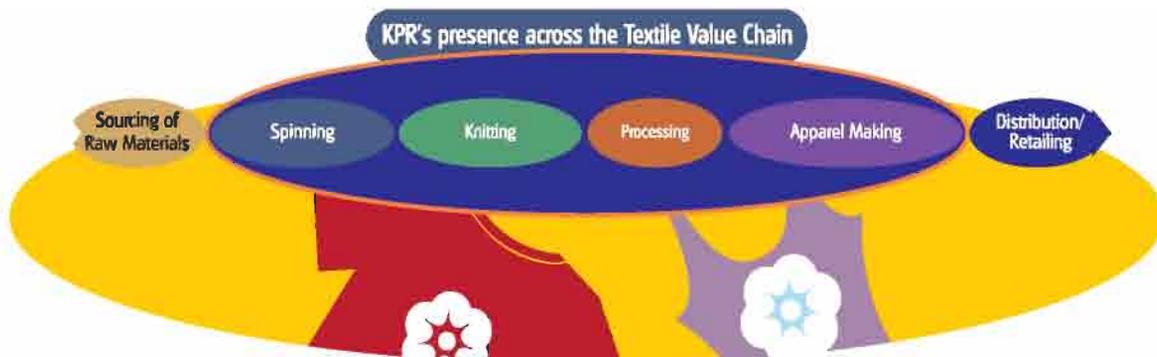
## EUROZONE MAY TAKE LONGER TO REVIVE

The recovery in major export market Eurozone is delayed due to contagion risk arising in the Euro zone economies and UK's rising deficit. Any prolonged scenario of global economic recession in Eurozone may result in further declining orders which may hit future performance of the industry. Further, the fear of higher public debt versus the GDP and larger debt refinancing cost has made Euro zone GDP fell 4%. Euro is likely to remain under pressure for some time.

Further India's Rupee appreciation vis-à-vis Euro may impact the competitiveness of textile exporters. During the current fiscal, Indian rupee has strengthened 10.1% to reach Rs 60.58 per Euro, as against Rs 67.39 per Euro on April 1, 2009. It has impacted the competitiveness of the domestic exporters vis-à-vis other countries such as China, Bangladesh, Sri Lanka, etc., as the currencies of these countries did not appreciate to the same extent against the Euro as that of Indian Rupee.

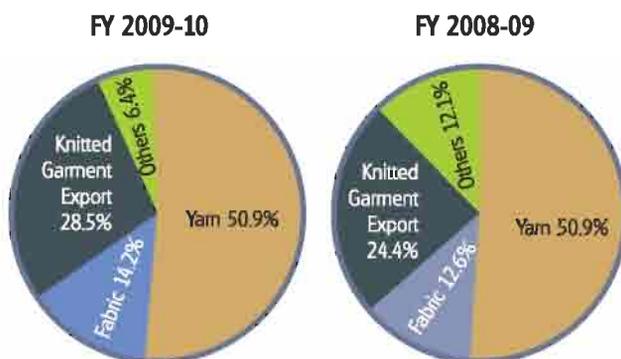
## BUSINESS OVERVIEW

Your Company is well positioned as one of the largest vertically integrated textile players in India, having an extensive gamut of products consisting of cotton yarn, knitted fabric and readymade knitted garments. KPR has a total manufacturing capacity of 212,064 spindles (54,000MT of yarn making); 201 circular knitting machines (21,000MT p.a. of fabric production); processing facility to process 23MT of fabric per day and 1,750 sewing machines with approx. 63mn pieces of readymade knitted apparel (51mn pieces in-house operating double shift and 12mn outsourced). The integrated manufacturing operations enable your Company to customize products as per the client specifications and provide consistent quality assurance.



## DIVERSIFIED PRODUCT PORTFOLIO

The revenue contribution from yarn was 50.9% followed by knitted garment exports 28.5%, fabric 14.2% and others 6.4%. The year saw your Company increase contribution from high margin garment and fabric segment owing to demand revival in both domestic and overseas markets. Your Company also benefited from the improved realization of yarn, up 10.9% YoY to reach Rs. 127,470/MT during the year. The overall capacity utilization increased to 80% in FY'10 from 67% in FY'09 resulting from substantial improvement in power availability in Tamil Nadu. This was supported with various line balancing operations and power saving initiatives undertaken by the Company.



During the year, your Company formed a wholly owned subsidiary, Quantum Knits Pvt. Limited to provide independent and exclusive control of all operations and management of the Garment Unit at Arasur to this subsidiary. The primary purpose of having a separate identity is to meet additional market demand and gain marketing and administrative advantages as well as making it easier to procure yarn from outside suppliers as per buyer's specifications. The separate entity will also facilitate own branding in the long run.

## IMPROVING PRESENCE IN KEY EXPORT MARKETS

Your Company witnessed robust growth in exports, up by 30.0% YoY to Rs. 234 Crores in FY'10. The contribution of export revenues as a percentage of net sales increased from 25.1% in FY'09 to 29.2% in FY'10, primarily driven by garment exports. Europe and the US continued to be the key export markets of your Company, contributing over 93% of its export revenues. Your Company also expanded its presence in other countries including Australia.

Your Company has a diversified customer base of over 40 International Apparel Retailers including Decathlon, Tesco, Marks & Spencers, Coles, Wal Mart, Primark and Ernsting's Family amongst others. During the year, your Company executed some large and high value orders of its export clients. With the enhanced capacities in place and strategies laid down for future, the Company is all set to grow its exports market further.

## OUTLOOK

### Key initiatives to propel future growth

Your Company has chalked out a well planned strategy for sustained growth with focus on premium products to drive expansion in revenues and margins, going forward. Your Company foresees tremendous growth potential unfolding in the 100% compact yarn spinning segment. The increased realizations of this premium yarn segment would help your Company to further accelerate its growth and profitability.

In order to increase its self-reliance for power requirements, your Company plans to add additional 24MW of wind power capacity at an estimated cost of Rs. 128 Crores. This will enhance your Company's total captive power generation capacity to 64MW from 40MW at present, supporting 75% of its power needs. The windmills are expected to get fully commissioned by end of November 2010 in a phased manner.

Your Company has designed its current capacities across processing and garmenting segments in a way to allow brownfield expansions at existing sites at an investment much lower than that for a Greenfield. Minimal capex would be required to double the capacities in these segments, once the present facilities reach their optimum utilization levels. The current utilization hovers around 55%-65% for processing and garmenting divisions.

## INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The areas of operations have been segregated into purchase, production, marketing and finance. Various checks and system controls introduced in the functioning of these areas are monitored periodically by the Audit Committee for improvement. The checks and controls in all these areas of operations are considered adequate.

## HUMAN RESOURCES

Your Company employed a total work force of 9122 employees as on March 31, 2010 up by 14% over March 31, 2009 of the total workforce, 90% are female employees representing the rural womenfolk.

Your Company's continuous endeavour to adopt unique and dedicated welfare measures ensures low attrition and high motivation among its employees. Besides assuring cordial industrial relation it enables your Company to fulfill its social obligations as a responsible Corporate Citizen.

Coimbatore  
28.06.2010

BY ORDER OF THE BOARD  
K.P. Ramasamy  
Chairman

# Auditors' Report

## TO THE MEMBERS OF K.P.R. MILL LIMITED

1. We have audited the attached Balance Sheet of K.P.R. MILL LIMITED ("the Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) 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 in paragraph 3 above, we report as follows:
  - 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 it appears from our examination of those books;
  - c) The balance sheet, the profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the balance sheet, the profit and loss account and the cash flow statement dealt with by this report are in compliance with the accounting standards referred to in section 211(3c) of the companies act, 1956;
  - e) 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:
    - i) In the case of the balance sheet, of the state of affairs of the company as at 31st march, 2010;
    - ii) In the case of the profit and loss account, of the profit of the company for the year ended on that date and
    - iii) In the case of the cash flow statement, of the cash flows of the company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

Coimbatore  
28.06.2010

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
Registration No. 008072S  
C R Rajagopal  
Partner  
Membership No.23418

## Annexure to the **Auditors' Report**

(Referred to in paragraph 3 of our report of even date)

- i) Having regard to the nature of the Company's business/activities/result for the year, clauses iii (b) to (d), (f), (g), x, xii, xiii, xiv, xix of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (CARO) are not applicable.
- ii) In respect of its fixed assets:
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii) In respect of its inventory:
  - a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - b) Where each of such transaction is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- vii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the period. Therefore, the provision of clause (vi) of the CARO are not applicable to the Company.
- viii) In our opinion, the Internal Audit functions carried out by an independent Chartered Accountant appointed by the management have been commensurate with the size of the Company and the nature of its business.
- ix) We have broadly reviewed the books of account & records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of manufacture of Textiles, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
- x) According to the information and explanations given to us in respect of statutory dues:
  - a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.
  - c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2010 on account of disputes are given below:

## Annexure to the **Auditors' Report**

Statute	Nature of Dues	Forum where Dispute is pending	Year to which the amount relates	Amount involved (Rs. in Lakhs)
Income Tax	Disallowance of depreciation and suppression of closing stock	CIT(A)-II,Coimbatore	1998-1999	10.53
	Disallowance of depreciation reserve u/s 115JB	CIT(A)-II,Coimbatore	2002-2003	5.08
	Income tax, Penalty and Interest	CIT(A)-II,Coimbatore	2004-2005 & 2005-2006	66.12
	Additional depreciation on windmill	Remanded to AO	2005-2006	38.37
	Replacement of Machinery	CIT(A), Coimbatore	2005-2006	19.87
	Classification of expenditure	ITAT, Chennai	2006-2007	6.43
TNEB	Electricity Tax	High Court of Madras	2008-2010	47.88
Central Excise	Classification	Tribunal, Chennai	2001-2002	2.15
	Cenvat on capital goods	Tribunal, Chennai	2005-2006	3.82
Service Tax	Categorisation of services	Tribunal, Chennai & Commissioner Salem	2004-2006 & 2006-2007	28.01

- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions.
- xii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by its Subsidiary from Banks are not prima facie prejudicial to the interests of the Company.
- xiii) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- xiv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- xv) During the year 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.
- xvi) The Management has disclosed the end use of money raised by public issues and we have verified the same.
- xvii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

Coimbatore  
28.06.2010

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
Registration No. 008072S  
C R Rajagopal  
Partner  
Membership No.23418

	Schedule No.	As at 31.03.2010	As at 31.03.2009
<b>I SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS' FUNDS</b>			
Share Capital	1	3,768.29	3,768.29
Reserves and Surplus	2	49,824.78	47,223.47
		<b>53,593.07</b>	<b>50,991.76</b>
<b>LOAN FUNDS</b>			
Secured Loans	3	43,919.55	50,988.68
Unsecured Loans	4	1,582.48	1,899.80
		<b>45,502.03</b>	<b>52,888.48</b>
<b>DEFERRED TAX LIABILITY</b>			
[Note B (4) of Schedule 22]		5,340.07	3,957.35
		<b>1,04,435.17</b>	<b>1,07,837.59</b>
<b>II APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	1,01,036.60	99,244.40
Less: Depreciation		24,136.49	17,186.33
Net Block		76,900.11	82,058.07
Add: Capital Work-in-Progress		2,549.84	30.05
		<b>79,449.95</b>	<b>82,088.12</b>
<b>INVESTMENTS</b>			
	6	10.00	-
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	7	12,264.63	20,703.66
Sundry Debtors	8	10,592.04	11,644.76
Cash and Bank Balances	9	5,189.17	4,623.24
Other Current Assets	10	1,378.87	2,294.43
Loans and Advances	11	7,870.34	5,306.78
		<b>37,295.05</b>	<b>44,572.87</b>
<b>Less: CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	12	9,903.04	17,915.48
Provisions		2,416.79	907.92
		<b>12,319.83</b>	<b>18,823.40</b>
<b>NET CURRENT ASSETS</b>			
		<b>24,975.22</b>	<b>25,749.47</b>
		<b>1,04,435.17</b>	<b>1,07,837.59</b>
Significant Accounting Policies and Notes to Accounts	22		

Schedules 1 to 12 and 22 form part of this Balance Sheet

For and on behalf of the Board

K.P. Ramasamy  
ChairmanJ.S. Kumar  
Vice President (Finance)Coimbatore  
28.06.2010KPD Sigamani  
Managing DirectorP. Kandaswamy  
Company SecretaryP. Nataraj  
Managing Director

"In terms of our report of even date"

For Deloitte Haskins & Sells  
Chartered Accountants

Registration No. 008072S

C R Rajagopal

Partner

Membership No.23418

# Profit and Loss Account

Profit and Loss Account for the year ended 31.03.2010

	Schedule No.	Year ended 31.03.2010	Year ended 31.03.2009
(Rs. in Lakhs)			
<b>INCOME</b>			
Sales	13	78,850.24	71,817.75
Other Income	14	4,414.17	3,208.73
		<b>83,264.41</b>	<b>75,026.48</b>
<b>EXPENDITURE</b>			
Decrease/(Increase) in Stock	15	(266.48)	135.50
Cost of Goods Consumed	16	51,730.31	51,029.49
Manufacturing and Direct Expenses	17	6,332.45	5,769.81
Salaries, wages and other employee benefits	18	4,644.52	4,933.09
Administrative and Other Expenses	19	2,640.87	554.64
Selling and Distribution Expenses	20	1,521.18	1,341.62
		<b>66,602.85</b>	<b>63,764.15</b>
Profit Before Finance Charges, Depreciation and Tax		16,661.56	11,262.33
Less: Finance Charges	21	2,715.90	3,836.89
Depreciation		7,049.73	5,595.44
<b>Profit Before Tax</b>		<b>6,895.93</b>	<b>1,830.00</b>
Provision for Taxes			
Current Income Tax		1,171.96	207.34
Less: MAT Credit Entitlement [Refer Note B (15) of Schedule 22]		676.85	2.42
		495.11	204.92
Deferred Tax Charge		1,382.72	588.56
Fringe Benefit Tax		-	26.18
		<b>1,877.83</b>	<b>819.66</b>
<b>Profit After Tax</b>		<b>5,018.10</b>	<b>1,010.34</b>
Profit brought forward		17,642.25	17,589.43
<b>Profit available for appropriation</b>		<b>22,660.35</b>	<b>18,599.77</b>
Less: Transfer to General Reserve		501.81	75.78
Interim Dividend		1,507.32	-
Tax on Interim Dividend		250.35	-
Proposed Dividend		565.24	753.66
Tax on Proposed Dividend		93.88	128.08
Surplus Transferred to Balance Sheet		19,741.75	17,642.25
		<b>22,660.35</b>	<b>18,599.77</b>
Earnings per Share (Basic and Diluted) in Rs. (Face Value Rs 10 per Share)		<b>13.32</b>	<b>2.68</b>
Significant Accounting Policies and Notes to Accounts	22		

Schedules 13 to 21 and 22 form part of this Profit and Loss Account

For and on behalf of the Board

K.P. Ramasamy  
Chairman

J.S. Kumar  
Vice President (Finance)

Coimbatore  
28.06.2010

KPD Sigamani  
Managing Director  
  
P. Kandaswamy  
Company Secretary

P. Nataraj  
Managing Director

"In terms of our report of even date"

For Deloitte Haskins & Sells  
Chartered Accountants  
Registration No. 008072S  
C R Rajagopal

Partner

Membership No.23418

PARTICULARS	Year ended	Year ended
	31.03.2010	31.03.2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	(Rs. in Lakhs)	
Profit Before Tax	6,895.93	1,830.00
Depreciation	7,049.73	5,595.44
(Profit) / Loss on Sale of Assets	2781	5.66
Interest Expenses	2,715.90	3,836.89
Interest Income	(197.70)	(210.00)
Interest & Dividend from Mutual Funds	(103.92)	(40.49)
<b>Operating profit before Working Capital adjustments</b>	<b>16,387.75</b>	<b>11,017.50</b>
(Increase) / Decrease in Sundry Debtors	1,052.72	(2,420.61)
(Increase) / Decrease in Loans and Advances	(2,161.77)	106.07
(Increase) / Decrease in Inventories	8,439.02	(3,909.97)
(Increase) / Decrease in Other Current Assets	915.56	(781.66)
Increase / (Decrease) in Current Liabilities	(8,012.44)	12,105.75
<b>Cash Generated from Operations</b>	<b>16,620.84</b>	<b>16,117.08</b>
Income Tax Paid	(1,599.93)	(653.69)
Mat Credit Entitlement	676.85	2.42
<b>Net Cash from Operating Activities</b>	<b>(A) 15,697.76</b>	<b>15,465.81</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(4,538.48)	(3,018.67)
Proceeds from Sale of Fixed Assets	99.12	1711
Purchase of Investment	(27,460.00)	(2,300.00)
Proceeds from the sale of investment	27,450.00	2,800.00
Dividend income	103.92	40.49
Interest Receipts	197.70	210.00
<b>Net Cash flow used in Investing Activities</b>	<b>(B) (4,147.74)</b>	<b>(2,251.07)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Securities Premium	-	(10.65)
(Repayment) / Proceeds of Secured Loan	(7,069.13)	(9,141.28)
Proceeds / (Repayment) of Unsecured Loans	(3,173.2)	(221.12)
Interest Paid	(2,715.90)	(3,836.89)
Dividend Paid	(753.66)	(1,130.49)
Tax on Dividend	(128.08)	(192.13)
<b>Net Cash used in Financing Activities</b>	<b>(C) (10,984.09)</b>	<b>(14,532.56)</b>
Net Increase in Cash and Cash Equivalents	(A+B+C) 565.93	(1,317.82)
Cash and cash equivalents as at beginning of the year	4,623.24	5,941.06
<b>Cash and cash equivalents as at end of the year</b>	<b>5,189.17</b>	<b>4,623.24</b>
<b>Cash and cash equivalents is represented by</b>		
Cash on hand	193.98	108.74
Balance with Bank *	4,995.19	4,514.50
	<b>5,189.17</b>	<b>4,623.24</b>

\* Includes restricted cash of Rs. 1,082.39 Lakhs (Pr. Yr. Rs. 2,058.89 Lakhs)

For and on behalf of the Board

K.P. Ramasamy  
Chairman

J.S. Kumar  
Vice President (Finance)

Coimbatore  
28.06.2010

KPD Sigamani  
Managing Director

P. Kandaswamy  
Company Secretary

P. Nataraj  
Managing Director

"In terms of our report of even date"

For Deloitte Haskins & Sells  
Chartered Accountants

Registration No. 008072S

C R Rajagopal

Partner

Membership No.23418

# Schedules

## Schedules to Balance Sheet

	As at 31.03.2010	As at 31.03.2009
	(Rs. in Lakhs)	
<b>SCHEDULE : 1</b>		
<b>SHARE CAPITAL</b>		
Authorised Share Capital		
4,00,00,000 (Pr. Yr. 4,00,00,000) Equity Shares of Rs. 10 each	4,000.00	4,000.00
	<u>4,000.00</u>	<u>4,000.00</u>
<b>Issued, Subscribed &amp; Paid up Capital</b>		
3,76,82,892 (Pr. Yr. 3,76,82,892) Equity Shares of Rs. 10 each fully paid-up [Refer Note B(1) of Schedule 22]	3,768.29	3,768.29
	<u>3,768.29</u>	<u>3,768.29</u>
<b>SCHEDULE : 2</b>		
<b>RESERVES AND SURPLUS</b>		
Securities Premium Account		
As per last Balance Sheet	15,232.77	15,243.42
Less : Expenses on Issue of Shares *	-	10.65
	<u>15,232.77</u>	<u>15,232.77</u>
General Reserve		
As per last Balance Sheet	14,348.45	14,272.67
Add : Transfer from Profit and Loss account	501.81	75.78
	<u>14,850.26</u>	<u>14,348.45</u>
Profit and Loss account		
Surplus in Profit and Loss account	19,741.75	17,642.25
	<u>19,741.75</u>	<u>17,642.25</u>
	<u>49,824.78</u>	<u>47,223.47</u>
* includes IPO Expenses of Rs.Nil (Pr.Yr. Rs.10.65 Lakhs)		
<b>SCHEDULE : 3</b>		
<b>SECURED LOANS *</b>		
From Banks		
(a) Term Loans	35,045.79	39,921.68
(b) Hypothecation Loans for working capital	8,873.76	8,246.51
(c) Packing Credit from Banks	-	2,820.49
	<u>43,919.55</u>	<u>50,988.68</u>
* Refer Notes B(2) of Schedule 22		
<b>SCHEDULE : 4</b>		
<b>UNSECURED LOANS</b>		
Interest Free Sales Tax Loan	1,582.48	1,899.80
	<u>1,582.48</u>	<u>1,899.80</u>

(Rs. in Lakhs)

## SCHEDULE : 5 FIXED ASSETS

Particulars	Gross Block		Depreciation		Net Block	
	As at 01.04.2009	Additions	Deletions	As at 31.03.2010	As at 01.04.2009	As at 31.03.2010
Land	518.78	0.66		519.44		519.44
	493.23	25.55		518.78		518.78
Factory Building	14,055.33	12.47		14,067.80	1,031.10	1,500.89
	13,257.70	797.63		14,055.33	567.32	1,031.10
Buildings	5,373.87	591.25		5,965.12	141.01	231.48
	4,667.33	706.54		5,373.87	62.89	141.01
Plant & Machinery	50,540.65	1,096.45	195.25*	51,441.85	11,070.27	15,924.13
	48,170.94	2,401.19	31.48	50,540.65	7,534.28	11,070.27
Wind Mill	22,202.64			22,202.64	3,757.39	4,812.02
	22,202.64			22,202.64	2,702.76	3,757.39
Electrical	3,753.88	84.41	16.34	3,821.95	712.42	978.80
	3,362.44	393.74	2.30	3,753.88	461.88	712.42
Furniture & Fixtures	2176.66	179.87	2.15	2354.38	292.11	437.49
	1918.92	257.74		2176.66	160.59	292.11
Computers & Accessories	236.12	31.10		267.22	78.00	117.85
	179.59	572.3	0.70	236.12	45.36	78.00
Vehicles	386.47	275.6	1783	396.20	104.03	133.83
	334.11	54.21	1.85	386.47	69.37	104.03
<b>TOTAL</b>	<b>99,244.40</b>	<b>2,023.77</b>	<b>231.57</b>	<b>1,01,036.60</b>	<b>17,186.33</b>	<b>24,136.49</b>
	<b>94,586.90</b>	<b>4,693.83</b>	<b>36.33</b>	<b>99,244.40</b>	<b>11,604.45</b>	<b>17,186.33</b>
					<b>5,595.45</b>	<b>82,058.07</b>

\* Deletion includes Capital Subsidy amounting to Rs. 5.07 Lakhs

Note : Previous year figures are in italics

# Schedules

## Schedules to Balance Sheet

	As at 31.03.2010	As at 31.03.2009
	(Rs. in Lakhs)	
<b>SCHEDULE : 6</b>		
<b>INVESTMENTS</b>		
Long Term, Non Trade, Unquoted		
In Subsidiary		
100,000 Equity Shares of Rs 10 each of Quantum Knits Pvt. Limited	10.00	-
	10.00	-
<b>SCHEDULE : 7</b>		
<b>INVENTORIES *</b>		
Stock-in-trade		
(a) Raw Materials		
Cotton	9,189.02	17,549.09
Dyes & Chemicals	117.19	109.80
Cloth / Yarn	71.50	364.71
	9,377.71	18,023.60
(b) Finished Goods		
Yarn	539.32	395.53
Cloth	124.07	74.62
Dyed Fabric	695.22	30.22
Garment	4.53	781.68
	1,363.14	1,282.05
(c) Stock-in-process	750.01	733.98
(d) Stores, Spares, Packing and Others	773.77	664.03
	12,264.63	20,703.66
* Refer Schedule 22 (A) (6) for accounting policy		
<b>SCHEDULE : 8</b>		
<b>SUNDRY DEBTORS</b>		
Unsecured - considered good		
Debts Outstanding -exceeding six months	275.80	361.69
Other Debts	10,316.24	11,283.07
	10,592.04	11,644.76
<b>SCHEDULE : 9</b>		
<b>CASH AND BANK BALANCES</b>		
(a) Cash on Hand	193.98	108.74
(b) Balance with Scheduled Banks		
i) In Current Accounts *	1,665.91	1,107.76
ii) In Deposit Accounts**	3,329.28	3,406.74
	5,189.17	4,623.24

\* includes Unclaimed Dividend of Rs. 2.99 Lakhs (Pr. Yr Rs. 2.31 Lakhs)

\*\* includes Margin Deposits of Rs. 1079.40 Lakhs (Pr. Yr. Rs. 2056.58 Lakhs)

	As at 31.03.2010	As at 31.03.2009
	(Rs. in Lakhs)	
<b>SCHEDULE : 10</b>		
<b>OTHER CURRENT ASSETS</b>		
Interest Receivable on Bank Deposits	66.87	56.26
Income Receivable Others	1,312.00	2,238.17
	<b>1,378.87</b>	<b>2,294.43</b>
<b>SCHEDULE : 11</b>		
<b>LOANS AND ADVANCES</b>		
Unsecured - considered good		
Advance recoverable in Cash or in kind	4,427.15	2,195.54
Other Loans and Advances	996.99	1,024.20
Advance Tax *	11.44	286.51
MAT Credit Entitlement	1,510.01	833.16
Balance with Government Authorities etc.,	924.75	967.37
	<b>7,870.34</b>	<b>5,306.78</b>
* Net of Provision for Income Tax Rs.1171.96 Lakhs (Pr.Yr.Rs.20734 Lakhs) & includes Fringe Benefit Tax of Rs.Nil (Pr.Yr.Rs.24.28 Lakhs)		
<b>SCHEDULE : 12</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors		
- Micro, Small and Medium scale Industries [Refer Note B(6) of Schedule 22]	-	-
- Others	4,130.72	13,239.78
Creditors for Capital Expenditure	2,202.30	2,171.79
Liabilities for Expenses	3,204.67	2,067.01
Advance Received from Customers	129.73	212.22
Other Liabilities *	235.62	224.68
	<b>9,903.04</b>	<b>17,915.48</b>
<b>Provisions</b>		
Provision for Fringe Benefit Tax	-	26.18
Interim Dividend	1,507.32	-
Tax on Interim Dividend	250.35	-
Proposed Dividend	565.24	753.66
Tax on Proposed Dividend	93.88	128.08
	<b>2,416.79</b>	<b>907.92</b>
	<b>12,319.83</b>	<b>18,823.40</b>

\*includes Unclaimed Dividend of Rs.2.99 Lakhs (Pr.Yr.Rs.2.31 Lakhs)

Note : There are no amount due to be credited to investor education and protection fund.

## Schedules

## Schedules to Profit and Loss Account

	Year ended 31.03.2010	Year ended 31.03.2009
	(Rs. in Lakhs)	
<b>SCHEDULE : 13</b>		
<b>SALES</b>		
Garment Exports	19,053.53	17,490.58
Cotton Yarn Sales	41,679.58	36,354.83
Cotton Yarn Exports	123.23	187.35
Dyed Fabric Sales	2,378.40	1,659.79
Dyed Fabric Exports	-	15.49
Cloth Sales	11,872.85	9,016.14
FPS License	191.63	-
Garment Sales Others	147.55	78.66
Waste Sales	2,516.91	2,827.16
Waste Sales Exports	390.54	315.31
Cotton Sales	65.10	3,872.36
Wind Mill Receipts	430.92	0.08
	<b>78,850.24</b>	<b>71,817.75</b>
<b>SCHEDULE : 14</b>		
<b>OTHER INCOME</b>		
Export Incentives	1,669.30	1,671.74
Job work Charges *	1,723.01	539.16
Surplus on Forward contracts/Exchange Fluctuation	-	740.14
Interest on Bank Deposits & EB *	197.70	210.00
Interest on Debentures	-	31.51
Dividend from Mutual Funds	103.92	8.98
Miscellaneous Receipts	720.24	720
	<b>4,414.17</b>	<b>3,208.73</b>
* TDS Rs. 97.95 Lakhs (Pr. Yr. Rs. 37.28 Lakhs) [Refer Note B(9)(e) of Schedule 22]		
<b>SCHEDULE : 15</b>		
<b>DECREASE / (INCREASE) IN STOCK</b>		
A) Opening Stock		
Yarn	395.53	788.26
Cloth	74.62	64.96
Dyed Fabric	30.23	9.43
Waste	16.49	34.44
Garments	781.68	564.54
Stock-in-Process		
Yarn	-	1.77
Garments	-	98.23
Cotton	686.65	599.63
Dyed Fabric	47.34	6.78
	<b>2,032.54</b>	<b>2,168.04</b>
B) Closing Stock		
Yarn	539.32	395.53
Cloth	124.07	74.62
Garments	4.53	781.68
Dyed Fabric	695.22	30.23
Waste	185.87	16.49
Stock-in-Process		
Cotton	706.90	686.65
Cloth	-	47.34
Dyed Fabric	43.11	-
	<b>2,299.02</b>	<b>2,032.54</b>
	<b>(266.48)</b>	<b>135.50</b>

	Year ended 31.03.2010	Year ended 31.03.2009
	(Rs. in Lakhs)	
<b>SCHEDULE : 16</b>		
<b>COST OF GOODS CONSUMED</b>		
a) Opening Stock		
Cotton	17,549.09	12,606.78
Dyes & Chemicals	109.80	20.80
Yarn / Cloth	364.71	1,356.73
	<b>18,023.60</b>	<b>13,984.31</b>
b) Add: Purchases		
Cotton	28,677.58	43,599.03
Dyes & Chemicals	911.53	928.81
Yarn / Cloth	11,960.65	8,640.84
Trims, Packing & Others	1,534.66	1,900.10
	<b>43,084.42</b>	<b>55,068.78</b>
c) Less : Closing Stock		
Cotton	9,189.02	17,549.09
Dyes & Chemicals	117.19	109.80
Yarn / Cloth	71.50	364.71
	<b>9,377.71</b>	<b>18,023.60</b>
	<b>51,730.31</b>	<b>51,029.49</b>
<b>SCHEDULE : 17</b>		
<b>MANUFACTURING AND DIRECT EXPENSES</b>		
Power & Fuel	2,426.95	2,323.85
Consumption of Stores	790.10	736.26
Water Charges	25.00	24.12
Job Work Expenses	65.55	56.25
Insurance Charges	204.99	153.49
Production Expenses	1,277.89	1,283.74
Repairs and Maintenance		
Building	140.21	64.74
Machinery	1,316.89	1,002.55
Others	84.87	124.81
	<b>6,332.45</b>	<b>5,769.81</b>
<b>SCHEDULE : 18</b>		
<b>SALARIES, WAGES AND OTHER EMPLOYEE BENEFITS</b>		
Salaries, Wages & Bonus	1,742.76	2,269.78
Stipend	1,982.96	1,853.36
Contribution to Provident Fund, ESI & Other Funds	283.50	328.90
Welfare Expenses	335.30	292.56
Managerial Remuneration	300.00	188.49
	<b>4,644.52</b>	<b>4,933.09</b>

# Schedules

## Schedules to Profit and Loss Account

	Year ended 31.03.2010	Year ended 31.03.2009
	(Rs. in Lakhs)	
<b>SCHEDULE : 19</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Printing & Stationary	3708	50.85
Postage & Telephone Charges	65.33	91.20
Subscription & periodicals	2.55	1.96
Legal & Professional Charges	59.46	84.41
Rent	13.74	24.53
Lease Rent on Land	0.80	14.73
Rates & Taxes	29.31	14.57
Directors' Sitting Fees	5.00	4.00
Auditors' Remuneration [Refer Note B (5) to Schedule 22]	5.90	5.28
Loss on sale of Fixed assets (Net)	2781	5.66
Travelling Expenses	118.26	169.80
Donations	103.80	4.75
Other Expenses [Refer Note B (20) to Schedule 22]	2,171.83	82.90
	<b>2,640.87</b>	<b>554.64</b>
<b>SCHEDULE : 20</b>		
<b>SELLING AND DISTRIBUTION EXPENSES</b>		
Carriage Outwards	270.12	242.29
Commission & Brokerage	717.24	603.83
Advertisement Expenses	8.39	7.21
Clearing & Forwarding	449.54	392.25
Other Selling expenses	75.89	96.04
	<b>1,521.18</b>	<b>1,341.62</b>
<b>SCHEDULE : 21</b>		
<b>FINANCE CHARGES</b>		
on Term Loans	1,895.80	2,260.79
on Working Capital Loans	675.66	1,313.70
Bank Charges	144.44	262.40
	<b>2,715.90</b>	<b>3,836.89</b>

**SCHEDULE : 22****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES****1. BASIS OF ACCOUNTING**

The financial statements have been prepared under the historical cost convention on an accrual basis and in accordance with the Accounting Principles generally accepted in India (Indian GAAP) and comply with mandatory Accounting Standards notified by the Central Government of India under the Companies (Accounting Standard) Rules 2006 and the relevant provisions of the Companies Act, 1956 to the extent applicable.

**2. USE OF ESTIMATES**

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Actual results could differ from those estimates.

**3. FIXED ASSETS AND DEPRECIATION**

- i) Fixed Assets are stated at Historical Cost (Net of CENVAT) less accumulated depreciation. Cost comprises of direct costs including interest on specific borrowing wherever applicable for new projects upto the stage of commissioning.
- ii) Capital Work- In - Progress includes cost of assets at sites, construction expenditure, and interest on the funds deployed.
- iii) Depreciation on Fixed Assets is provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

**4. CASH FLOW STATEMENT**

Cash flow statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3 – Cash Flow Statement.

**5. BORROWING COSTS**

Borrowing costs are accounted net of TUF Subsidy. Borrowing costs are capitalised as part of qualifying fixed assets when it is possible that they will result in future economic benefits. Other borrowing costs are expensed.

**6. INVENTORIES**

Inventories are valued at lower of cost or net realizable value. Cost is ascertained on Specific identification method/FIFO method as appropriate. Cost includes all direct costs and applicable production overheads, to bring the goods to the present location and condition.

- i) Raw Materials, Stock-In-Process, Stores, Spares, Consumables, Packing and other Materials are valued at lower of Cost or net realizable value.
- ii) Finished goods are valued at lower of cost or net realizable value.
- iii) Waste and Scrap are valued at net realizable value.

**7. REVENUE RECOGNITION**

Sales includes sale of products, waste and windmill power. Revenue from sale of products and waste are recognized when the property in goods are transferred. Revenue from sale of windmill power is recognized when invoiced.

**8. EXCISE DUTY**

The Company has opted to adopt for Exempted Route under Central Excise for local sales. Accordingly, CENVAT credit on inputs is not available to the Company.

**9. RETIREMENT BENEFITS****(a) Short Term:**

Short term employee benefits are charged off at the undiscounted amount in the year in which the related service is rendered.

**(b) Long Term Post Retirement :**

Post Retirement Benefits comprise of Provident Fund and Gratuity which are accounted for as follows:

**i) Provident Fund (Government PF)**

This is a defined contribution plan, and contributions made to the Fund are charged to Revenue. The Company has no further obligations for future provident fund benefits other than monthly contributions.

**ii) Gratuity Fund**

This is a defined benefit plan. The Company makes annual contribution to a Gratuity Fund administered by LIC. The liability is determined based on the actuarial valuation using projected unit credit method. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. The Retirement Benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost.

## (c) Leave encashment :

There is no scheme for encashment of unavailed leave on retirement.

**10. INVESTMENTS**

Long term investments are stated at cost. The diminution, if any, in the value of investments is not recognised unless such diminution is considered permanent in nature. Current investments are stated at lower of cost or market value.

**11. FOREIGN EXCHANGE TRANSACTIONS**

Foreign Currency Transactions are accounted at the exchange rates ruling on the date of the transactions. Foreign currency monetary items as at the Balance sheet date are restated at the closing exchange rates. Non-monetary foreign currency items are carried at cost. Exchange differences arising on actual payments/realizations and year end restatements are recognized in the profit and loss account.

The Company enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The premium or discount arising at the inception of a forward exchange contract or similar instrument is amortized as expense or income over the life of the contract. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognized as exchange difference. Any profit or loss arising on cancellation of a forward exchange contract or similar instrument is recognized as income or expense for the year.

**12. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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 on accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

**13. TAXATION**

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

The deferred tax for timing difference between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is reasonable certainty that these would be realized in future.

Deferred tax assets in case of unabsorbed losses are recognized only if there is virtual certainty that such deferred tax asset can be realized against future taxable profits.

**14. IMPAIRMENT OF ASSETS**

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**B. NOTES FORMING PART OF ACCOUNTS****1. SHARE CAPITAL****(i) Share Capital**

- a) 1,29,51,000 Equity shares of Rs. 10 each issued on 6.10.2006 pursuant to High Court order dated 19.08.2006 approving the Scheme of amalgamation of K P R Mill Private Limited and K P R Spinning Mill Private Limited with K P R Mill Limited (formerly known as K P R Cotton Mills Private Limited)
- b) 72,651 Equity shares of Rs. 10 each issued on 15.02.2006 for take over of business of K P R Knits
- c) 1,58,85,396 Equity shares issued on 01.03.2007 as fully paid up bonus shares by Capitalization of Securities Premium Account.
- d) Pursuant to the approval of share holders at the Extra-ordinary General Meeting held on 01-03-2007, the Company made an Initial Public Offer and on 20-08-2007 issued and allotted 59,12,100 Equity shares of Rs. 10 each at a premium of Rs. 215 per share aggregating to Rs. 13,302.23 Lakhs. Consequent to above, the paid up equity share capital has increased by Rs. 591.21 Lakhs

**(ii) Utilization of Initial Public Offer (IPO) Funds upto March 31, 2010**

Details	(Rs. in Lakhs)	
	2009-10	2008-09
Proceeds from issue of shares	13,302.23	13,302.23
Less :- Issue Expenses	1,218.66	1,218.66
Net IPO Proceeds	12,083.57	12,083.57
Less :- Utilization of Funds	4,980.84	4,575.72
Unutilized IPO Funds	7,102.73	7,507.85

Unutilized IPO Funds Rs. 7,102.73 Lakhs (Pr. Yr. Rs. 7,507.85 Lakhs) has been used for reducing overdrafts as an interim measure pending deployment towards Objects of Issue. The unutilized Funds will be utilised for expansion of compact spinning as approved in the EGM dated 30.03.10.

## 2. Security provided to the Banks, Financial Institutions

For Working capital limits, the first charge has been given to the respective lenders by way of hypothecation of inventories and book debts. The second charge on current assets has been given on pari-passu basis to Banks for Term loan lent by them. The working capital facilities guaranteed by the Chairman and Managing Directors aggregate to Rs. Nil (Pr. Yr. Rs. 106.57 Lakhs).

For Term Loans, the first charge on fixed assets is given to the respective Banks. The second charge on fixed assets has been given to working capital lending banks on pari-passu basis. Term Loan repayable within one year Rs. 7,351.36 Lakhs (Pr. Yr. Rs. 7,552.40 Lakhs). The term loans guaranteed by the Chairman and Managing Directors aggregate to Rs. 711.42 Lakhs (Pr. Yr. Rs. 1,059.42 Lakhs)

## 3. Contingent Liabilities not provided for in the accounts

- The Company is in receipt of a demand of Rs. 81.50 Lakhs (Pr. Yr. Rs. 81.50 Lakhs) from the Indian Bank towards prepayment charges. The same has been contested in writ filed before the High Court of Judicature at Madras which has restrained Indian Bank from applying proceeds of TUF subsidy towards its demand for prepayment charges. The case is pending disposal.
- The Company has issued Bank Guarantee amounting to Rs. 145.59 Lakhs (Pr. Yr. Rs. 254.45 Lakhs) in favour of EPCG and Bank Guarantee amounting to Rs. NIL (Pr. Yr. Rs. 78.34 Lakhs) in favour of Bombay Stock Exchange, Bank Guarantee amounting to Rs. 5 Lakhs (Pr. Yr. Rs. 5.00 Lakhs) in favour of Tamilnadu Pollution Control Board and Bank Guarantee amounting to Rs. Nil (Pr. Yr. Rs. 80.53 Lakhs) in favour of Tamilnadu Electricity Board. The Company issued Corporate Guarantee amounting to Rs. 3,000.00 Lakhs towards Working Capital facility of the wholly owned subsidiary.
- The Company has an Export obligation of Rs. 41,611.47 Lakhs (Pr. Yr. Rs. 59,589.57 Lakhs) to be completed upto 2017-18. The duty implication involved is Rs. 5,150.93 Lakhs (Pr. Yr. Rs. 7,369.82 Lakhs).
- At the request of the Company the Bankers have established Letter of Credits in favour of the suppliers of the Company as under : Foreign Letter of Credits - Rs. 9.22 Lakhs (Pr. Yr. Rs. 324.31 Lakhs)
- The Company has discounted sale bills amounting to Rs. 1,160.89 Lakhs (Pr. Yr. Rs. 2,117.33 Lakhs) with banks.
- The Company has obtained a stay order at High Court of Madras restraining TNEB from Collection of tax under Tamilnadu Tax on Consumption and Sale of Electricity Act, in respect of maximum demand charges. The estimated Contingent liability will be Rs. 47.88 Lakhs (Pr. Yr. Rs. 22.62 Lakhs)

- Income Tax pending appeals, aggregate Tax Disputed Rs. 146.40 Lakhs (Pr. Yr. Rs. 178.01 Lakhs). Central Excise pending appeals, aggregate Duty Disputed Rs. 5.97 Lakhs (Pr. Yr. Rs. 5.97 Lakhs). Service tax pending appeals, Tax disputed Rs. 28.01 Lakhs (Pr. Yr. Rs. 27.51 Lakhs).
- Estimated Amount of contracts on capital account remaining to be executed (net of advances) aggregate to Rs. 18,977.08 Lakhs (Pr. Yr. Rs. 41.62 Lakhs).

## 4. Deferred Tax

In accordance with the Accounting Standard 22, "Accounting for Taxes on Income", the Company has debited during the current year a sum of Rs.1, 382.72 Lakhs as deferred tax charge. Details of deferred tax liability/(Asset) are :-

Particulars	(Rs. in Lakhs)		
	Deferred Tax Liability as at 01.04.2009	Current Year Charge/ (Credit)	Deferred Tax Asset/Liability as at 31.03.2010
Depreciation	3,957.35	2,306.08	6,263.43
Others	--	(923.36)	(923.36)
Net Deferred Tax Liability	3,957.35	1,382.72	5,340.07

## 5. Payment to Auditors

Particulars	(Rs. in Lakhs)	
	2009-10	2008-09
Audit fees	5.00	5.00
Tax Audit and Tax Matters	-	-
Expenses (incl. Service Tax)	0.90	0.28
Total	5.90	5.28

## 6. Micro, Small and Medium Industries

In accordance with the Notification No: GSR 719 (E) dated 16.11.2007 issued by the Ministry of Corporate Affairs, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises as defined under the Micro, Small and Medium Development Act, 2006. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in these Financial Statements. However, in the considered view of the management and as relied upon by the auditors, impact of interest, if any that may be payable in accordance with the provisions of this Act is not expected to be material.

## 7. Provision for liabilities

In the view of the Management, the provisions created for the Liabilities are adequate.

### 8. Related Party disclosures

In accordance with Accounting Standard 18 – “Related Party Disclosure”, the company has compiled the required information as detailed below, as identified and disclosed by the management and relied upon by the Auditors:

#### A. Name of related parties and nature of relationship where control exists are as under

Key Management Personnel	Sri. K.P. Ramasamy Sri. KPD. Sigamani Sri. P. Nataraj
Relatives of Key Managerial Personnel	Sri. C.R. Ananda Krishnan (Son of Sri. K.P. Ramasamy) Sri. E.K. Sakthivel (Daughter’s Husband of Sri. KPD. Sigamani) Smt. D. Geetha (Daughter of Sri. KPD. Sigamani)
Associates	M/s. Sree Ramakrishna Textiles M/s. RamaKrishna Dyeing Industry M/s. K.P.R. Enterprises
Subsidiary company	Quantum Knits Pvt. Limited

#### B. Transactions during the year with related parties / Key Management Personnels are as under

Nature of Transaction	(Rs. in Lakhs)				
	Associates	Key Managerial Persons	Relatives to Key Managerial Persons	Subsidiary Company	Total as on 31.03.2010
Purchase of Goods	-- (13.03)	-- --	-- --	1,274.67 --	1,274.67 (13.03)
Sales of Goods	-- (5.27)	-- --	-- --	3,048.10 --	3,048.10 (5.27)
Lease Rent	-- --	0.80 (14.73)	-- --	-- --	0.80 (14.73)
Remuneration / Salary	-- --	300.00 (188.49)	21.81 (14.81)	-- --	321.81 (203.30)
Processing / Service Charges income	-- (754)	-- --	-- --	779.19 --	779.19 (754)
Processing / Service Charges Expenses	--	--	--	571.45	571.45
Amount Receivable	-- --	-- --	-- --	2,427.75 --	2,427.75 --
Land Advance*	-- --	600.00 (600.00)	-- --	-- --	600.00 (600.00)
Amount Payable	-- (9.55)	86.49 (91.49)	0.21 (0.83)	-- --	86.70 (101.87)

(Previous year figures are in Brackets) \* Refer note B(13) of Schedule 22

## C. Details of major transactions with related parties :

a) Lease Rent		(Rs. in Lakhs)	
Name	2009-10	2008-09	
Sri K.P. Ramasamy	0.27	4.91	
Sri KPD Sigamani	0.27	4.91	
Sri P. Nataraj	0.26	4.91	
<b>Total</b>	<b>0.80</b>	<b>14.73</b>	

b) Remuneration/Salary		(Rs. in Lakhs)	
Name	2009-10	2008-09	
Sri K.P. Ramasamy	100.00	62.83	
Sri KPD Sigamani	100.00	62.83	
Sri P. Nataraj	100.00	62.83	
<b>Total</b>	<b>300.00</b>	<b>188.49</b>	

c) Land Advance		(Rs. in Lakhs)	
Name	2009-10	2008-09	
Sri K.P. Ramasamy	200.00	200.00	
Sri KPD Sigamani	200.00	200.00	
Sri P. Nataraj	200.00	200.00	
<b>Total</b>	<b>600.00</b>	<b>600.00</b>	

d) Amount Payable		(Rs. in Lakhs)	
Name	2009-10	2008-09	
Sri K.P. Ramasamy	28.83	30.50	
Sri KPD Sigamani	28.83	30.50	
Sri P. Nataraj	28.83	30.49	
<b>Total</b>	<b>86.49</b>	<b>91.49</b>	

## 9. ADDITIONAL PARTICULARS AS REQUIRED BY PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

## QUANTITATIVE INFORMATION

## a. Production and Sales

## Installed Capacity

Product	UOM	31-03-2010	31-03-2009
Yarn	Spindles	2,12,064	2,12,064

(Rs. in Lakhs)

Particulars	Product	UOM	31.03.2010		31.03.2009	
			Quantity	Value	Quantity	Value
Production / Purchases	Garment	Lakh Pieces	226.97	--	209.92	--
	Yarn	Metric Tonne	43,578.98	--	41,046.92	--
	Fabric	Metric Tonne	10,720.59	--	9,029.86	--
	Dyed Fabric	Metric Tonne	1,933.65	--	1,788.03	--
	Waste	Metric Tonne	9,029.58	--	8,597.83	--
Opening Stock	Garment	Lakh Pieces	12.47	781.68	795	564.54
	Yarn	Metric Tonne	339.75	395.53	761.84	788.26
	Fabric	Metric Tonne	64.29	74.62	63.24	64.96
	Dyed Fabric	Metric Tonne	13.74	30.22	6.29	9.43
	Waste	Metric Tonne	4720	16.49	100.52	34.43
Closing Stock	Garment	Lakh Pieces	0.05	4.53	12.47	781.68
	Yarn	Metric Tonne	424.38	539.32	339.75	395.53
	Fabric	Metric Tonne	95.06	124.07	64.29	74.62
	Dyed Fabric	Metric Tonne	383.03	695.22	13.74	30.22
	Waste	Metric Tonne	610.74	185.87	4720	16.49
Sales	Garment	Lakh Pieces	239.39	19,053.53	205.40	17,569.24
	Yarn	Metric Tonne	32,882.12	41,865.91	32,440.03	37,275.92
	Fabric	Metric Tonne	10,689.82	14,687.71	9,028.81	10,803.28
	Dyed Fabric	Metric Tonne	1,564.36	3,575.88	1,780.58	3,595.36
	Waste	Metric Tonne	8,466.44	2,867.50	8,651.15	3,086.05
Captive Consumption	Yarn	Metric Tonne	10,612.23	--	9,028.99	--

### b. Raw Material Consumed - Cotton

Particulars	2009-10			2008-09		
	Quantity in Kgs	Rs. in Lakhs	%	Quantity in Kgs	Rs. in Lakhs	%
Import	1,60,99,398	9,084.79	24.53	58,37,960	4,614.50	13.06
Domestic	3,66,03,509	27,952.86	75.47	4,44,54,471	30,712.79	86.94
Total	5,27,02,907	37,037.65	100.00	5,02,92,431	35,327.29	100.00

### c. Expenditure in Foreign Currency

Particulars	(Rs. in Lakhs)	
	2009-10	2008-09
Travel, sales commission etc.,	22.05	25.64
Interest	510.87	283.28
Value of imports on CIF basis		
Raw Material	13,956.58	1,769.85
Stores and Spare parts	331.29	209.22
Machinery	576.31	1,442.59
Total	15,397.10	3,730.58

### d. Earnings in Foreign Currency

Particulars	(Rs. in Lakhs)	
	2009-10	2008-09
Export of Goods at FOB value	19,567.31	18,008.73

### e. Tax deducted at source

Particulars	(Rs. in Lakhs)	
	2009-10	2008-09
On Interest receipts	65.99	34.78
On Job work charges	31.96	2.50
Total	97.95	37.28

### f. Amount remitted during the year in Foreign Currencies :

Particulars	2009-10	2008-09
i) On account of Dividends (Rs. in Lakhs)	22.14	33.20
ii) Number of Non-Resident Share Holders	1	1
iii) Number of Shares held by Non-Resident Share Holders On which Dividends are due	11,06,784	11,06,784
iv) The year to which dividends relate	2008-09	2007-08

### 10. Managerial Remuneration

Computation of Net Profit in accordance with Section 349 of the Companies act, 1956 and calculation of Chairman & Managing Director's Commission for the Year Ended 31-03-2010 :

Particulars	(Rs. in Lakhs)	
	2009-10	2008-09
Profit before Tax as per profit & Loss Account	6,895.93	1,830.00
Add : Commission to Chairman / Managing Directors	228.00	116.49
Directors' Sitting Fees	5.00	4.00
Less : Profit on Sale of Investments	--	--
Dividend from investments	103.92	8.98
Net profit as per Section 198 of the Companies Act, 1956	7,025.01	1,941.51
6% Commission on Net Profits to Chairman & M.Ds	421.50	116.49
Commission to Chairman / Sri K P D Sigamani, MD / Sri P. Nataraj, MD restricted to	228.00	116.49
Overall managerial remuneration restricted to	300.00	300.00

Name	Designation	Salary	Commission	(Rs. in Lakhs)
				Total
Sri K.P.Ramasamy	Chairman	24.00	76.00	100.00
Sri KPD Sigamani	Managing Director	24.00	76.00	100.00
Sri P.Nataraj	Managing Director	24.00	76.00	100.00
<b>Total</b>		<b>72.00</b>	<b>228.00</b>	<b>300.00</b>

## 11. Earnings Per Share (EPS)

Particulars	31-03-2010	31-03-2009
Profit After Tax (Rs. In Lakhs)	5,018.10	1,010.34
Weighted average no. of Shares	3,76,82,892	3,76,82,892
EPS (Rs.) Basic & Diluted	13.32	2.68
Face Value Per Share (Rs)	10.00	10.00

## 12. Segment Reporting

The Company is mainly engaged in the business of manufacturing of textiles consisting of yarn, fabrics and garments. Considering the nature of business and financial reporting of the Company, the Company has only one segment viz; textile as reportable segment. The Company operates in Domestic and Export segments geographically. The sales for both is separately given, but due to the nature of business the assets/liabilities and expenses for these activities cannot be bifurcated separately.

13. The Promoters had leased out the land to the Company. During March 2009 the Company has entered into an agreement with the Promoters, whereby the Company has an option to purchase those Lands as and when required, within the period of lease agreement.

## 14. Captive consumption of windmill power

The power cost is net of value of captively consumed units.

15. Provision for income tax has been computed on the basis of Minimum Alternate Tax (MAT) in accordance with Section 115JB of the income tax Act, 1961. Considering the future profitability and taxable positions in the subsequent years, the company has recognised "MAT Credit Entitlement" of Rs. 1, 510.01 Lakhs as an asset by crediting to the Profit and Loss Account of Rs. 676.85 Lakhs and included under Loans and Advances in accordance with the guidance note on "Accounting for credit available in respect of Minimum Alternate Tax under Income Tax Act, 1961".

## 16. Confirmation of Balances

Balance in Debtors, Creditors, Advances and Deposit accounts are to be confirmed / reconciled.

## 17. Disclosures required under revised Accounting Standard 15 are as follows:

## a) Defined Contribution Plan

Particulars	(Rs. in Lakhs)	
	2009-10	2008-09
Provident Fund	227.27	232.08

## a) Defined Benefit Plan

## Gratuity

Particulars	(Rs. in Lakhs)	
	Funded Gratuity 2009-10	Funded Gratuity 2008-09
<b>A. Changes in present value of obligation</b>		
PV of obligation as at beginning of the year	60.21	43.79
Current service cost	8.26	9.60
Interest cost	3.29	2.95
Actuarial (gain) / loss on obligation	(16.03)	3.87
Obligation transferred to subsidiary	(3.56)	-
PV of obligation as at end of the year	52.17	60.21
<b>B. Change in Assets during the year ended 31st March</b>		
FV of Plan Asset as at beginning of the year	55.94	47.03
Expected return on Plan Assets	4.54	3.77
Actuarial gain / (loss)	(3.10)	-
Contributions by the employer	5.20	5.14
Asset transferred to subsidiary	(3.56)	-
FV of Plan Assets as at end of the year	59.02	55.94
<b>C. Net Asset/(Liability) recognized in the Balance Sheet</b>		
PV of obligation as at end of the year	52.17	60.21
FV of Plan Assets as at end of the year	59.02	55.94
Funded Status [Surplus/(Deficit)]	6.85	(4.27)
<b>D. Expenses recognized during period ended 31st March</b>		
Current service cost	8.26	9.60
Interest cost	3.29	2.95
Expected return on Plan Assets	(4.54)	(3.77)
Actuarial (gains) / losses	(12.93)	3.87
Net amount recognised in Profit and Loss Account	(5.92)	12.65
<b>E. Categories of plan assets as a percentage of Total plan assets</b>		
Equity instruments	-	-
Debt instruments	-	-
Property	-	-
Insurer managed asset	100%	100%

## Assumptions used in accounting for the gratuity plan

Particulars	Gratuity 2009-10	Gratuity 2008-09
Discount Rate (per annum)	8.00%	8.00%
Rate of increase in compensation levels (per annum)	7.00%	6.50%
Rate of return on plan assets (per annum)	9.15%	9.15%
Expected average remaining working lives of employees (years)	29.20	28.73

In the absence of detailed information regarding Plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed. The details of experience adjustments arising on account of plan assets and liabilities as required by paragraph 120(n)(ii) of AS 15 (Revised) on "Employee Benefits" are not readily available in the valuation report and hence, are not furnished.

The estimate of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotions and other relevant factors including supply and demand in the employment market.

The above information is certified by actuary.

#### 18. Details of Investments were Purchase and Redeemed during the year

Particulars	(Rs. in Lakhs)	
	Year ended 2009-10	Year ended 2008-09
HDFC Mutual Fund	5,550.00	2,650.00
Reliance Mutual Fund	20,700.00	--
ICICI Mutual Fund	1,200.00	--
SBI Mutual Fund	--	150.00
<b>Total</b>	<b>27,450.00</b>	<b>2,800.00</b>

#### 19. Dividend Receipts from Mutual Funds

Name of the fund	(Rs. in Lakhs)	
	Dividend Receipts 2009-10	Dividend Receipts 2008-09
ICICI Prudential Mutual Fund	--	8.87
SBI Mutual Fund	--	0.11
HDFC Mutual Fund	52.09	--
Reliance Mutual Fund	50.78	--
ICICI Mutual Fund	1.05	--
<b>Total</b>	<b>103.92</b>	<b>8.98</b>

#### 20. Financial and derivative Instruments

The MTM Loss of Rs. 18 Crores on the entire outstanding swap/option contract as on 31.03.2010 has been provided which is since closed on 20.04.2010 and included under other expenses.

#### 21. Previous Year's Figures

The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.

#### Signatures to Schedules 1 to 22

For and on behalf of the Board

K.P. Ramasamy  
Chairman

J.S. Kumar  
Vice President (Finance)

Coimbatore  
28.06.2010

KPD Sigamani  
Managing Director

P. Kandaswamy  
Company Secretary

P. Nataraj  
Managing Director

"In terms of our report of even date"

For Deloitte Haskins & Sells  
Chartered Accountants

Registration No. 008072S  
C R Rajagopal

Partner  
Membership No.23418

# Balance Sheet Abstract

Balance Sheet Abstract and Company's General Business Profile

## I. Registration Details

Registration No.	L 1 7 1 1 1 T Z 2 0 0 3 P L C 0 1 0 5 1 8	State Code	1 8 1
Balance Sheet Date	3 1 0 3 2 0 1 0		

## II. Capital raised during the year (Amount in Rs. Thousands)

Public issue	N I L	Rights issue	N I L
Bonus issue	N I L	Private Placement	N I L

## III. Positions of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	1 1 6 7 5 5 0 0	Total Assets	1 1 6 7 5 5 0 0
-------------------	-----------------	--------------	-----------------

### Sources of Funds

Paid up Capital	3 7 6 8 2 9	Reserves and Surplus	4 9 8 2 4 7 8
Share Application Money	0		
Secured loans	4 3 9 1 9 5 5	Unsecured Loans	1 5 8 2 4 8
Deferred Tax Liability	5 3 4 0 0 7	Current Liabilities	1 2 3 1 9 8 3

### Application of Funds

Net Fixed Assets	7 9 4 4 9 9 5	Investments	1 0 0 0
Current Assets	3 7 2 9 5 0 5	Accumulated Losses	N I L

## IV. Performance of Company (Amount Rs. in Thousands)

Turnover*	8 3 2 6 4 4 1	Total Expenditure	7 6 3 6 8 4 8
Profit Before Tax	6 8 9 5 9 3	Profit After Tax	5 0 1 8 1 0
Earnings Per Share	1 3 . 3 2	Dividend Rate %	5 5

\* Turnover includes other income

## V. Generic Names of Three principal products / Services of the Company (as per monetary terms)

Item Code No.	5 2 . 0 5	Product Description	C O T T O N Y A R N
Item Code No.	6 1 . 1 4	Product Description	G A R M E N T S
Item Code No.	6 0 . 0 6	Product Description	K N I T T E D F A B R I C S

For and on behalf of the Board

K.P. Ramasamy  
Chairman

J.S. Kumar  
Vice President (Finance)

Coimbatore  
28.06.2010

KPD Sigamani  
Managing Director

P. Kandaswamy  
Company Secretary

P. Nataraj  
Managing Director

### TO THE BOARD OF DIRECTORS OF K.P.R. MILL LIMITED

1. We have audited the attached Consolidated Balance Sheet of K.P.R. MILL LIMITED ("the Company"), its subsidiary (the Company and its subsidiary constitute ("the Group") as at 31st March, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the period ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Statements), as notified under the Companies (Accounting Standards) Rules, 2006.
4. Based on our audit on the individual financial statements of the Company, and the aforesaid subsidiary, and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2010;
  - ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the period ended on that date and
  - iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the period ended on that date.

Coimbatore  
28.06.2010

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
Registration No. 008072S  
C R Rajagopal  
Partner  
Membership No.23418

# Consolidated Balance Sheet

Consolidated Balance Sheet As At 31.03.2010

	Schedule No.	As at 31.03.2010 (Rs. in Lakhs)
<b>I SOURCES OF FUNDS</b>		
<b>SHARE HOLDERS' FUNDS</b>		
Share Capital	1	3,768.29
Reserves and Surplus	2	49,850.19
		<b>53,618.48</b>
<b>LOAN FUNDS</b>		
Secured Loans	3	43,919.55
Unsecured Loans	4	1,582.48
		<b>45,502.03</b>
<b>DEFERRED TAX LIABILITY</b>		
[Note B (4) of Schedule 21]		5,340.07
		<b>1,04,460.58</b>
<b>II APPLICATION OF FUNDS</b>		
<b>FIXED ASSETS</b>		
Gross Block	5	101,036.60
Less: Depreciation		24,136.49
Net Block		76,900.11
Add: Capital Work-in-Progress		2,549.84
		<b>79,449.95</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
Inventories	6	13,604.70
Sundry Debtors	7	11,606.91
Cash and Bank Balances	8	5,220.25
Other Current Assets	9	1,491.92
Loans and Advances	10	6,677.43
		<b>38,601.21</b>
<b>Less: CURRENT LIABILITIES &amp; PROVISIONS</b>		
Current Liabilities	11	11,173.79
Provisions		2,416.79
		<b>13,590.58</b>
<b>NET CURRENT ASSETS</b>		
		<b>25,010.63</b>
		<b>1,04,460.58</b>
Significant Accounting Policies and Notes to Accounts	21	

Schedules 1 to 11 and 21 form part of this Balance Sheet

For and on behalf of the Board

K.P. Ramasamy  
Chairman

J.S. Kumar  
Vice President (Finance)

Coimbatore  
28.06.2010

KPD Sigamani  
Managing Director  
P. Kandaswamy  
Company Secretary

P. Nataraj  
Managing Director

"In terms of our report of even date"

For Deloitte Haskins & Sells  
Chartered Accountants  
Registration No. 008072S  
C R Rajagopal

Partner  
Membership No.23418

## Consolidated Profit and Loss Account

	Schedule No.	Period ended 31.03.2010 (Rs. in Lakhs)
<b>INCOME</b>		
Sales	12	80,320.91
Other Income	13	3,388.27
		<b>83,709.18</b>
<b>EXPENDITURE</b>		
Decrease/(Increase) in Stock	14	(1,191.22)
Cost of Goods Consumed	15	50,099.88
Manufacturing and Direct Expenses	16	7,648.45
Salaries, wages and other employee benefits	17	6,086.88
Administrative and Other Expenses	18	2,741.80
Selling and Distribution Expenses	19	1,605.98
		<b>66,991.77</b>
Profit Before Finance Charges, Depreciation and Tax		16,717.41
Less: Finance Charges	20	2,733.25
Depreciation		7,049.73
<b>Profit Before Tax</b>		<b>6,934.43</b>
Provision for Taxes		
Current Income Tax		1,185.05
Less: MAT Credit Entitlement		676.85
		508.20
Add: Deferred Tax Charge		1,382.72
		<b>1,890.92</b>
<b>Profit After Tax</b>		<b>5,043.51</b>
Profit brought forward		17,642.25
<b>Profit available for appropriation</b>		<b>22,685.76</b>
Less: Transfer to General Reserve		504.35
Interim Dividend		1,507.32
Tax on Interim Dividend		250.35
Proposed Dividend		565.24
Tax on Proposed Dividend		93.88
Surplus Transferred to Balance Sheet		19,764.62
		<b>22,685.76</b>
Earnings per Share (Basic and Diluted) in Rs. (Face Value Rs 10 per Share)		13.38
Significant Accounting Policies and Notes to Accounts	21	

Schedules 12 to 20 and 21 form part of this Profit and Loss Account

For and on behalf of the Board

K.P. Ramasamy  
ChairmanKPD Sigamani  
Managing DirectorP. Nataraj  
Managing DirectorJ.S. Kumar  
Vice President (Finance)P. Kandaswamy  
Company Secretary

\*In terms of our report of even date\*

For Deloitte Haskins & Sells  
Chartered Accountants

Registration No. 0080725

C R Rajagopal

Partner

Membership No.23418

Coimbatore  
28.06.2010

# Consolidated Cash Flow Statement

Consolidated Cash Flow Statement for the Period Ended 31.03.2010

PARTICULARS	Period ended 31.03.2010
	(Rs. in Lakhs)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Profit Before Tax	6,934.43
Depreciation	7,049.73
(Profit) / Loss on Sale of Assets	2781
Interest Expenses	2,733.25
Interest Income	(19770)
Dividend from Mutual Funds	(103.92)
<b>Operating profit before Working Capital adjustments</b>	<b>16,443.60</b>
(Increase) / Decrease in Sundry Debtors	3785
(Increase) / Decrease in Loans and Advances	(968.02)
(Increase) / Decrease in Inventories	7,098.95
(Increase) / Decrease in Other Current Assets	802.51
Increase / (Decrease) in Current Liabilities	(6,741.69)
<b>Cash Generated from Operations</b>	<b>16,673.20</b>
Income Tax Paid	(1,613.86)
Mat Credit Entitlement	676.85
<b>Net Cash from Operating Activities</b>	<b>(A) 15,736.19</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of Fixed Assets	(4,538.48)
Proceeds from Sale of Fixed Assets	99.12
Purchase of Investment	(27,450.00)
Proceeds from the sale of investment	27,450.00
Dividend income	103.92
Interest Receipts	19770
<b>Net Cash flow used in Investing Activities</b>	<b>(B) (4,137.74)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
(Repayment) / Proceeds of Secured Loan	(7,069.13)
Proceeds / (Repayment) of Unsecured Loans	(3,173.2)
Interest Paid	(2,733.25)
Dividend Paid	(753.66)
Tax on Dividend	(128.08)
<b>Net Cash used in Financing Activities</b>	<b>(C) (11,001.44)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(A+B+C) 59701</b>
Cash and cash equivalents as at beginning of the year	4,623.24
<b>Cash and cash equivalents as at end of the year</b>	<b>5,220.25</b>
<b>Cash and cash equivalents is represented by</b>	
Cash on hand	20750
Balance with Bank *	5,012.75
	<b>5,220.25</b>

\* Includes restricted cash of Rs.1,082.39 Lakhs

For and on behalf of the Board

K.P. Ramasamy  
Chairman

KPD Sigamani  
Managing Director

P. Nataraj  
Managing Director

J.S. Kumar  
Vice President (Finance)

P. Kandaswamy  
Company Secretary

Coimbatore  
28.06.2010

"In terms of our report of even date"

For Deloitte Haskins & Sells  
Chartered Accountants

Registration No. 0080725

C R Rajagopal  
Partner

Membership No.23418

	<b>As at 31.03.2010</b>
	<b>(Rs. in Lakhs)</b>
<b>SCHEDULE : 1</b>	
<b>SHARE CAPITAL</b>	
Authorised Share Capital	
4,00,00,000 Equity Shares of Rs. 10 each	4,000.00
	<u>4,000.00</u>
Issued, Subscribed & Paid up Capital	
3,76,82,892 Equity Shares of Rs. 10 each fully paid-up	3,768.29
	<u>3,768.29</u>
<b>SCHEDULE : 2</b>	
<b>RESERVES AND SURPLUS</b>	
Securities Premium Account	
As per last Balance Sheet	15,232.77
	<u>15,232.77</u>
General Reserve	
As per last Balance Sheet	14,348.45
Add : Transfer from Profit and Loss account	504.35
	<u>14,852.80</u>
Profit and Loss account	
Surplus in Profit and Loss account	19,764.62
	<u>19,764.62</u>
	<u>49,850.19</u>
<b>SCHEDULE : 3</b>	
<b>SECURED LOANS *</b>	
From Banks	
(a) Term Loans	35,045.79
(b) Hypothecation Loans for working capital	8,873.76
	<u>43,919.55</u>
* Refer Notes B(1) of Schedule 21	
<b>SCHEDULE : 4</b>	
<b>UNSECURED LOANS</b>	
Interest Free Sales Tax Loan	1,582.48
	<u>1,582.48</u>

# Schedules

## Schedules to Consolidated Balance Sheet

(Rs. in Lakhs)

Particulars	Gross Block		Depreciation		Net Block	
	As at 01.04.2009	Additions	Deletions	As at 31.03.2010	For the Year	As at 31.03.2010
Land	518.78	0.66		519.44		519.44
Factory Building	14,055.33	12.47		14,067.80	469.79	12,566.91
Buildings	5,373.87	591.25		5,965.12	90.47	5,733.64
Plant & Machinery	50,540.65	1,096.45	195.25*	51,441.85	4,944.86	35,517.72
Wind Mill	22,202.64			22,202.64	1,054.63	17,390.62
Electrical	3,753.88	84.41	16.34	3,821.95	267.06	2,843.15
Furniture & Fixtures	2176.66	179.87	2.15	2354.38	145.85	1916.89
Computers & Accessories	236.12	31.10		267.22	39.85	149.37
Vehicles	386.47	275.6	1783	396.20	3723	262.37
<b>TOTAL</b>	<b>99,244.40</b>	<b>2,023.77</b>	<b>231.57</b>	<b>1,01,036.60</b>	<b>7049.73</b>	<b>76,900.11</b>

\* Deletion includes Capital Subsidy amounting to Rs. 5.07 Lakhs

	As at 31.03.2010 (Rs. in Lakhs)
<b>SCHEDULE : 6</b>	
<b>INVENTORIES *</b>	
Stock-in-trade	
(a) Raw Materials	
Cotton	9,189.02
Dyes & Chemicals	117.19
Cloth/Yarn	246.19
	9,552.40
(b) Finished Goods	
Yarn	539.32
Cloth	124.07
Dyed Fabric	695.22
Garment	825.60
	2,184.21
c) Stock-in-process	853.68
(d) Stores, Spares, Packing and Others	1,014.41
	13,604.70
* Refer Schedule 21 (A) (4) for accounting policy	
<b>SCHEDULE : 7</b>	
<b>SUNDRY DEBTORS</b>	
Unsecured - considered good	
Debts Outstanding -exceeding six months	276.23
Other Debts	11,330.68
	11,606.91
<b>SCHEDULE : 8</b>	
<b>CASH AND BANK BALANCES</b>	
(a) Cash on Hand	207.50
(b) Balance with Scheduled Banks	
i) In Current Accounts *	1,683.47
ii) In Deposit Accounts **	3,329.28
	5,220.25
* includes Unclaimed Dividend of Rs.2.99 Lakhs	
** includes Margin Deposits of Rs.1079.40 Lakhs	

# Schedules

## Schedules to Consolidated Balance Sheet

	<b>As at 31.03.2010</b>
	(Rs. in Lakhs)
<b>SCHEDULE : 9</b>	
<b>OTHER CURRENT ASSETS</b>	
Interest Receivable on Bank Deposits	66.87
Income Receivable Others	1,425.05
	<u>1,491.92</u>
<b>SCHEDULE : 10</b>	
<b>LOANS AND ADVANCES</b>	
Unsecured - considered good	
Advance recoverable in Cash or in kind	3,119.55
Other Loans and Advances	1,110.84
Advance Tax *	12.28
MAT Credit Entitlement	1,510.01
Balance with Government Authorities etc.,	924.75
	<u>6,677.43</u>
* Net of Provision for Tax Rs.1171.96 Lakhs	
<b>SCHEDULE : 11</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>	
Current Liabilities	
Sundry Creditors	
- Micro, Small and Medium scale Industries	
[Refer Note B(5) of Schedule 21]	
- Others	
	5,159.87
Creditors for Capital Expenditure	2,202.30
Liabilities for Expenses	3,417.57
Advance Received from Customers	129.73
Other Liabilities *	264.32
	<u>11,173.79</u>
<b>Provisions</b>	
Interim Dividend	1,507.32
Tax on Interim Dividend	250.35
Proposed Dividend	565.24
Tax on Proposed Dividend	93.88
	<u>2,416.79</u>

\*includes Unclaimed Dividend of Rs.2.99 Lakhs

Note : There are no amount due to be credited to investor education and protection fund.

	<b>Period ended 31.03.2010</b>
	<b>(Rs. in Lakhs)</b>
<b>SCHEDULE : 12</b>	
<b>SALES</b>	
Garment Exports	22,903.30
Cotton Yarn Sales	40,752.37
Cotton Yarn Exports	123.23
Dyed Fabric Sales	1,401.10
Cloth Sales	11,386.56
FPS License	191.63
Garment Sales Others	109.39
Waste Sales	2,566.77
Waste Sales Exports	390.54
Cotton Sales	65.10
Wind Mill Receipts	430.92
	<b>80,320.91</b>
<b>SCHEDULE : 13</b>	
<b>OTHER INCOME</b>	
Export Incentives	2,008.08
Jobwork Charges	1,072.31
Interest on Bank Deposits & EB	197.70
Dividend from Mutual Funds	103.92
Miscellaneous Receipts	6.26
	<b>3,388.27</b>
<b>SCHEDULE : 14</b>	
<b>DECREASE / (INCREASE) IN STOCK</b>	
<b>A) OPENING STOCK</b>	
Yarn	395.53
Cloth	74.62
Dyed Fabric	30.23
Waste	16.49
Garments	781.68
Stock-in-Process	
Cotton	686.65
Dyed Fabric	473.4
	<b>2,032.54</b>
<b>B) CLOSING STOCK</b>	
Yarn	539.32
Cloth	124.07
Garments	825.60
Dyed Fabric	695.22
Waste	185.87
Stock-in-Process	
Cotton	706.90
Dyed Fabric	43.11
Garments	103.67
	<b>3,223.76</b>
	<b>(1,191.22)</b>

# Schedules

## Schedules to Consolidated Profit and Loss Account

	<b>Period ended 31.03.2010</b>
	<b>(Rs. in Lakhs)</b>
<b>SCHEDULE : 15</b>	
<b>COST OF GOODS CONSUMED</b>	
<b>A) OPENING STOCK</b>	
Cotton	17,549.09
Dyes & Chemicals	109.80
Yarn / Cloth	364.71
	<b>18,023.60</b>
<b>b) Add: Purchases</b>	
Cotton	28,677.58
Dyes & Chemicals	911.53
Yarn / Cloth	9,893.58
Trims, Packing & Others	2,145.99
	<b>41,628.68</b>
<b>c) Less : Closing Stock</b>	
Cotton	9,189.02
Dyes & Chemicals	117.19
Yarn / Cloth	246.19
	<b>9,552.40</b>
	<b>50,099.88</b>
<b>SCHEDULE : 16</b>	
<b>MANUFACTURING AND DIRECT EXPENSES</b>	
Power & Fuel	2,602.29
Consumption of Stores	797.37
Water Charges	25.00
Job Work Expenses	82.43
Insurance Charges	209.31
Production Expenses	2,323.32
Repairs and Maintenance	
Building	164.33
Machinery	1,346.80
Others	97.60
	<b>7,648.45</b>
<b>SCHEDULE : 17</b>	
<b>SALARIES,WAGES AND OTHER EMPLOYEE BENEFITS</b>	
Salaries, Wages & Bonus	2,223.70
Stipend	2,876.43
Contribution to Provident Fund, ESI & Other Funds	418.93
Welfare Expenses	267.82
Managerial Remuneration	300.00
	<b>6,086.88</b>

	<b>Period ended 31.03.2010</b>
	(Rs. in Lakhs)
<b>SCHEDULE : 18</b>	
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>	
Printing & Stationary	46.32
Postage & Telephone Charges	75.07
Subscription & Periodicals	2.55
Legal & Professional Charges	69.59
Rent	13.74
Lease Rent on Land	0.80
Rates & Taxes	30.18
Directors' Sitting Fees	5.00
Auditors' Remuneration [Refer Note B(4) to Schedule 21]	790
Loss on sale of Fixed assets (Net)	2781
Travelling Expenses	13759
Donations	104.05
Other Expenses	2,221.20
	<b>2,741.80</b>
<b>SCHEDULE : 19</b>	
<b>SELLING AND DISTRIBUTION EXPENSES</b>	
Carriage Outwards	294.04
Commission & Brokerage	718.93
Advertisement Expenses	9.27
Clearing & Forwarding	496.04
Other Selling expenses	87.70
	<b>1,605.98</b>
<b>SCHEDULE : 20</b>	
<b>FINANCE CHARGES</b>	
on Term Loans	1,895.80
on Working Capital Loans	689.03
Bank Charges	148.42
	<b>2,733.25</b>

### SCHEDULE : 21

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF CONSOLIDATED ACCOUNTS

##### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements relate to K.P.R. Mill Limited ('the Company') and its wholly owned subsidiary company Quantum Knits Pvt. Limited. The Company and its subsidiary constitute the Group.

##### a) BASIS OF ACCOUNTING

- i) The financial statements of the subsidiary company used in the consolidation are drawn up to the same reporting date as of the Company i.e. year ended 31 March, 2010.
- ii) The financial statements of the Group have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India, which are notified under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956 to the extent applicable.

##### b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements have been prepared on the following basis

- i) The financial statements of the company and its subsidiary company have been combined on a line-by-line basis in accordance with the principles laid down in Accounting Standard (AS)-21 on "Consolidated Financial Statements" by adding together the value of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profit or loss.
- ii) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances are presented to the extent possible, in the same manner as the company's separate financial statements.
- iii) The following subsidiary company which is incorporated on 30.06.2009, is considered in the consolidated financial statements

Sl. No.	Name of Subsidiary Company	Country of Incorporation	% of holding as at 31st March, 2010
1	QUANTUM KNITS PVT. LIMITED	INDIA	100%

- iv) Comparative Previous year figures have not been given since consolidation of Accounts has been adopted for the first time.

##### c) USE OF ESTIMATES

The preparation of consolidated financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Actual results could differ from those estimates.

##### 2. FIXED ASSETS AND DEPRECIATION

- i) Fixed Assets are stated at Historical Cost (Net of CENVAT) less accumulated depreciation. Cost comprises of direct costs including interest on specific borrowing wherever applicable for new projects up to the stage of commissioning.
- ii) Capital Work- In - Progress includes cost of assets at sites, construction expenditure, and interest on the funds deployed.
- iii) Depreciation on Fixed Assets is provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

##### 3. CASH FLOW STATEMENT

Cash flow statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3 – Cash Flow Statement.

##### 4. INVENTORIES

Inventories are valued at lower of cost or net realizable value. Cost is ascertained on Specific identification method/FIFO method as appropriate. Cost includes all direct costs and applicable production overheads, to bring the goods to the present location and condition.

- i) Raw Materials, Stock-In-Process, Stores, Spares, Consumables, Packing and other Materials are valued at lower of Cost or net realizable value.
- ii) Finished goods are valued at lower of cost or net realizable value.
- iii) Waste and Scrap are valued at net realizable value.

##### 5. EXCISE DUTY

The Company has opted to adopt for Exempted Route under Central Excise for local sales. Accordingly, CENVAT credit on inputs is not available to the Company.

**6. RETIREMENT BENEFITS****(a) Short Term**

Short term employee benefits are charged off at the undiscounted amount in the year in which the related service is rendered.

**(b) Long Term Post Retirement**

Post Retirement Benefits comprise of Provident Fund and Gratuity which are accounted for as follows

**i) Provident Fund (Government PF)**

This is a defined contribution plan, and contributions made to the Fund are charged to Revenue. The Company has no further obligations for future provident fund benefits other than monthly contributions.

**ii) Gratuity -Fund**

This is a defined benefit plan. The Company makes annual contribution to a Gratuity Fund administered by LIC. The liability is determined based on the actuarial valuation using projected unit credit method. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. The Retirement Benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost.

**(c) Leave encashment**

There is no scheme for encashment of unavailed leave on retirement.

**7. FOREIGN EXCHANGE TRANSACTIONS**

Foreign Currency Transactions are accounted at the exchange rates ruling on the date of the transactions. Foreign currency monetary items as at the Balance sheet date are restated at the closing exchange rates. Non-monetary foreign currency items are carried at cost. Exchange differences arising on actual payments/realizations and year end restatements are recognized in the profit and loss account.

The Company enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The premium or discount arising at the inception of a forward exchange contract or similar instrument is amortized as expense or income over the life of the contract. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognized as exchange difference. Any profit or loss arising on cancellation of a forward exchange contract or similar instrument is recognized as income or expense for the year.

**8. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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 on accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

**9. TAXATION**

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

The deferred tax for timing difference between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is reasonable certainty that these would be realized in future. Deferred tax assets in case of unabsorbed losses are recognized only if there is virtual certainty that such deferred tax asset can be realized against future taxable profits.

**10. IMPAIRMENT OF ASSETS**

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is recognised in the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**B. NOTES FORMING PART OF ACCOUNTS****1. Security provided to the Banks, Financial Institutions**

For Working capital limits, the first charge has been given to the respective lenders by way of hypothecation of inventories and book debts. The second charge on current assets has been given on pari-passu basis to Banks for Term loan lent by them.

For Term Loans, the first charge on fixed assets is given to the respective Banks. The second charge on fixed assets has been given to working capital lending banks on pari-passu basis. Term Loan repayable within one year Rs. 7,351.36 Lakhs. The term loans guaranteed by the Chairman and Managing Directors aggregate to Rs. 711.42 Lakhs.

## 2. Contingent Liabilities not provided for in the accounts

- a) The Company is in receipt of a demand of Rs. 81.50 Lakhs from the Indian Bank towards prepayment charges. The same has been contested in writ filed before the High Court of Judicature at Madras which has restrained Indian Bank from applying proceeds of TUF subsidy towards its demand for prepayment charges. The case is pending disposal.
- b) The Company has issued Bank Guarantee amounting to Rs. 145.59 Lakhs in favour of EPCG, Bank Guarantee amounting to Rs. 5 Lakhs in favour of Tamilnadu Pollution Control Board. Guarantee amounting to Rs. 3,000.00 Lakhs towards working capital facility of the wholly owned subsidiary.
- c) The Company has an Export obligation of Rs. 41,611.47 Lakhs to be completed by 2017-18. The duty implication involved is Rs. 5,150.93 Lakhs.
- d) At the request of the Company the Bankers have established Letter of Credits in favour of the suppliers of the Company as under  

Foreign Letter of Credits - Rs. 9.22 Lakhs
- e) The Company has discounted sale bills amounting to Rs. 1,221.90 Lakhs with banks.
- f) The Company has obtained a stay order at High Court of Madras restraining TNEB from Collection of tax under Tamilnadu Tax on Consumption and Sale of Electricity Act, in respect of maximum demand charges. The estimated Contingent liability will be Rs. 4788 Lakhs.
- g) Income Tax pending appeals, aggregate Tax Disputed Rs. 146.40 Lakhs. Central Excise pending appeals, aggregate Duty Disputed Rs. 5.97 Lakhs. Service tax pending appeals, Tax disputed Rs. 28.01 Lakhs.
- h) Estimated Amount of contracts on capital account remaining to be executed (net of advances) aggregate to Rs. 18,977.08 Lakhs.

## 3. Deferred Tax

In accordance with the Accounting Standard 22, "Accounting for Taxes on Income", the Company has debited during the current year a sum of Rs. 1,382.72 Lakhs as deferred tax charge. Details of deferred tax liability/(Asset) are :-

Particulars	(Rs. in Lakhs)		
	Deferred Tax Liability as at 01.04.2009	Current Year Charge/(Credit)	Deferred Tax Asset/Liability as at 31.03.2010
Depreciation	3,957.35	2,306.08	6,263.43
Others	--	(923.36)	(923.36)
Net Deferred Tax Liability	3,957.35	1,382.72	5,340.07

## 4. Payment to Auditors

Particulars	(Rs. in Lakhs)
	2009-10
Audit fees	7.00
Tax Audit and Tax Matters	-
Expenses (incl. Service Tax)	0.90
<b>Total</b>	<b>7.90</b>

## 5. Micro, Small and Medium Industries

In accordance with the Notification No: GSR 719 (E) dated 16.11.2007 issued by the Ministry of Corporate Affairs, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises as defined under the Micro, Small and Medium Development Act, 2006. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in these Financial Statements. However, in the considered view of the management and as relied upon by the auditors, impact of interest, if any that may be payable in accordance with the provisions of this Act is not expected to be material.

## 6. Provision for liabilities

In the view of the Management, the provisions created for the Liabilities are adequate.

## 7. Related Party disclosures

In accordance with Accounting Standard 18 - "Related Party Disclosure", the company has compiled the required information as detailed below, as identified and disclosed by the management and relied upon by the Auditors:

## A. Name of related parties and nature of relationship where control exists are as under

Key Management Personnel	Sri. K.P. Ramasamy Sri. KPD. Sigamani Sri. P. Nataraj
Relatives of Key Managerial Personnel	Sri. C.R. Ananda Krishnan (Son of Sri. K.P. Ramasamy) Sri. E.K. Sakhivel (Daughter's Husband of Sri. KPD. Sigamani) Smt. D. Geetha (Daughter of Sri. KPD. Sigamani)
Associates	M/s. Sree RamaKrishna Textiles M/s. RamaKrishna Dyeing Industry M/s. K.P.R. Enterprises

## B. Transactions during the year with related parties / Key Management Personnel are as under

Nature of Transaction	(Rs. in Lakhs)		
	Key Managerial Persons	Relatives to Key Managerial Persons	Total as on 31/03/10
Lease Rent	0.80	--	0.80
Remuneration / Salary	300.00	21.81	321.81
Land Advance*	600.00	--	600.00
Amount Payable	86.49	0.21	86.70
Amount Receivable	--	--	--

\* Refer note B(11) of Schedule 21

## C. Details of major transactions with related parties :

a) Lease Rent (Rs. in Lakhs)	
Name	2009-10
Sri K.P. Ramasamy	0.27
Sri KPD Sigamani	0.27
Sri P. Nataraj	0.26
<b>Total</b>	<b>0.80</b>

c) Land Advance (Rs. in Lakhs)	
Name	2009-10
Sri K.P. Ramasamy	200.00
Sri KPD Sigamani	200.00
Sri P. Nataraj	200.00
<b>Total</b>	<b>600.00</b>

b) Remuneration/Salary (Rs. in Lakhs)	
Name	2009-10
Sri K.P. Ramasamy	100.00
Sri KPD Sigamani	100.00
Sri P. Nataraj	100.00
<b>Total</b>	<b>300.00</b>

d) Amount Payable (Rs. in Lakhs)	
Name	2009-10
Sri K.P. Ramasamy	28.83
Sri KPD Sigamani	28.83
Sri P. Nataraj	28.83
<b>Total</b>	<b>86.49</b>

### 8. Managerial Remuneration

Name	Designation	Salary	Commission	(Rs. in Lakhs)
				Total
Sri K.P.Ramasamy	Chairman	24.00	76.00	100.00
Sri KPD Sigamani	Managing Director	24.00	76.00	100.00
Sri P.Nataraj	Managing Director	24.00	76.00	100.00
<b>Total</b>		<b>72.00</b>	<b>228.00</b>	<b>300.00</b>

### 9. Earnings Per Share (EPS)

Particulars	(Rs. in Lakhs)
	31.03.2010
Profit After Tax	5043.51
Weighted average no. of Shares	3,76,82,892
EPS (Rs.) Basic & Diluted	13.38
Face Value Per Share (Rs)	10.00

### 10. Segment Reporting

The Company is mainly engaged in the business of manufacturing of textiles consisting of yarn, fabrics and garments. Considering the nature of business and financial reporting of the Company, the Company has only one segment viz; textile as reportable segment. The Company operates in Domestic & Export segments geographically. The sales for both is separately given, but due to the nature of business the assets/liabilities and expenses for these activities cannot be bifurcated separately.

11. The Promoters had leased out the land to the Company. During March 2009 the Company has entered into an agreement with the Promoters, whereby the Company has an option to purchase those Lands as and when required, within the period of lease agreement.

### 12. Details of Investments were Purchase and Redeemed during the year

Particulars	(Rs. in Lakhs)
	2009-10
HDFC Mutual Fund	5550.00
Reliance Mutual Fund	20700.00
ICICI Mutual Fund	1200.00
<b>Total</b>	<b>27450.00</b>

### 13. Confirmation of Balances

Balance in Debtors, Creditors, Advances and Deposit accounts are to be confirmed/reconciled.

### 14. Disclosures required under Accounting Standard 15 (Revised) are as follows

#### a) Defined Contribution Plan

Particulars	(Rs. in Lakhs)
	2009-10
Provident Fund	343.01

b) Defined Benefit Plan  
Gratuity

Particulars	(Rs. in Lakhs)
	Funded Gratuity 2009-10
<b>A. Changes in present value of obligation</b>	
PV of obligation as at beginning of the year	60.21
Current service cost	10.40
Interest cost	3.29
Actuarial (gain) / loss on obligation	(16.03)
PV of obligation as at end of the year	57.87
<b>B. Change in Assets during the year ended 31st March</b>	
FV of Plan Asset as at beginning of the year	55.94
Expected return on Plan Assets	4.88
Actuarial gain / (loss)	(3.10)
Contributions by the employer	10.37
FV of Plan Assets as at end of the year	68.09
<b>C. Net Asset/(Liability) recognized in the Balance Sheet</b>	
PV of obligation as at end of the year	57.87
FV of Plan Assets as at end of the year	68.09
Funded Status [Surplus/(Deficit)]	10.22
<b>D. Expenses recognized during period ended 31st March</b>	
Current service cost	10.40
Interest cost	3.29
Expected return on Plan Assets	(4.88)
Actuarial (gains) / losses	(12.93)
Net amount recognised in Profit and Loss Account	(4.12)
<b>E. Categories of plan assets as a percentage of Total plan assets</b>	
Equity instruments	-
Debt instruments	-
Property	-
Insurer managed asset	100%

## Assumptions used in accounting for the gratuity plan

Particulars	Gratuity 2009-10
Discount Rate (per annum)	8.00%
Rate of increase in compensation levels (per annum)	7.00%
Rate of return on plan assets (per annum)	9.15%
Expected average remaining working lives of employees (years)	29.20

In the absence of detailed information regarding Plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed. The details of experience adjustments arising on account of plan assets and liabilities as required by paragraph 120(n)(ii) of AS 15 (Revised) on "Employee Benefits" are not readily available in the valuation report and hence, are not furnished.

The estimate of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotions and other relevant factors including supply and demand in the employment market. The above information is certified by actuary.

## Signatures to Schedules 1 to 21

For and on behalf of the Board

K.P. Ramasamy  
Chairman

J.S. Kumar  
Vice President (Finance)

Coimbatore  
28.06.2010

KPD Sigamani  
Managing Director

P. Kandaswamy  
Company Secretary

P. Nataraj  
Managing Director

"In terms of our report of even date"

For Deloitte Haskins & Sells  
Chartered Accountants

Registration No. 008072S

C R Rajagopal

Partner

Membership No.23418

## Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Company

Name of the Subsidiary Company	Quantum Knits Pvt. Limited
Financial year ending of the subsidiary	31st March 2010
Holding Company's interest in the Subsidiary (Number of shares held)	1,00,000 Equity Shares
Extent of holding /interest (%)	100%
Net aggregate amount of Profit/ (Loss) of the Subsidiary not dealt with in the Accounts of Holding Company	Profit for the current financial year of the Subsidiary (Rs. in '000) 2541.23
Net aggregate amount of Subsidiary's Profit/ (Loss) dealt with in the Accounts of Holding Company	For the current financial year of the Subsidiary (Rs in '000) Nil
Dividend declared for the year	Nil

1. Changes in the interest of the Holding Company between the end of the subsidiary's financial year and holding company's financial year – NIL
2. Material changes between the end of the subsidiary's financial year and holding company's financial year - NA

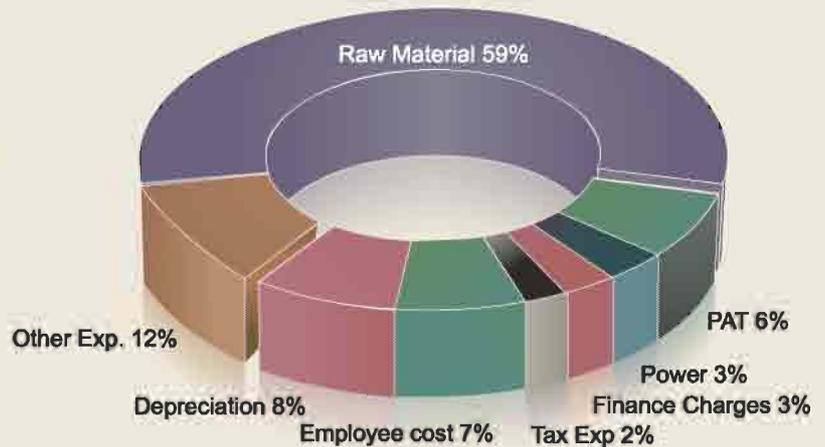
## Statement pursuant to exemption received under section 212(8) of the Companies Act, 1956 relating to Subsidiary Company

(Rs. in Lakhs)			
Capital	10.00	Turnover	6,278.67
Reserves	25.41	Profit before Taxation	38.50
Total Assets	3,743.97	Provision for Taxation	13.09
Total Liabilities	3,708.56	Profit after Taxation	25.41
Investment Other than Investment in Subsidiary	-	Proposed Dividend	-

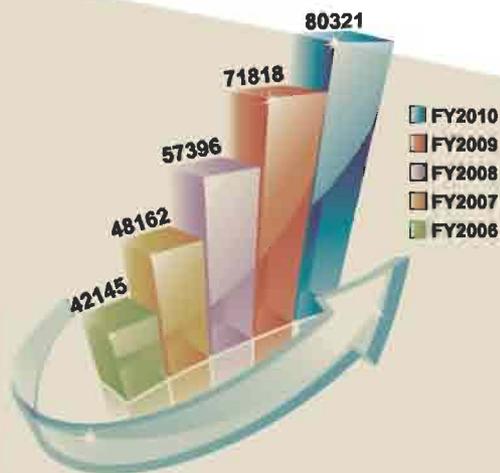
# Graph@Glance

## DISTRIBUTION OF EARNINGS

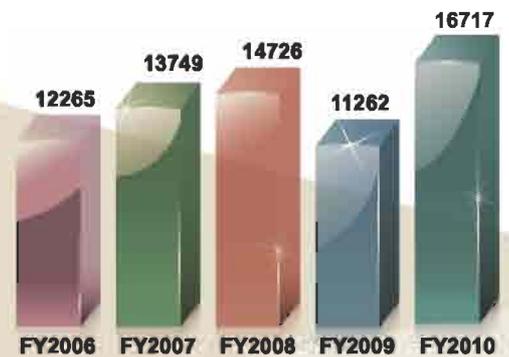
TOTAL REVENUE 83709.18 Lakhs



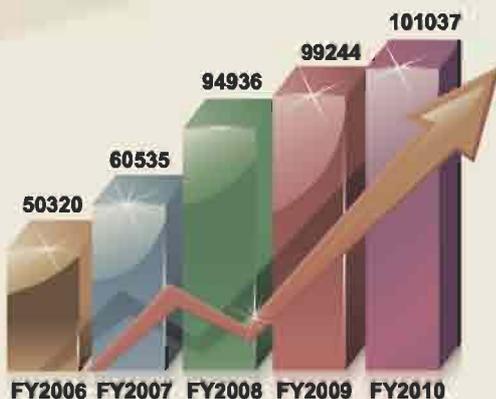
## TURN OVER (Rs. in . Lakhs)



## EBIDTA (Rs.in Lakhs)



## Investment in Fixed Assets (Rs.in.Lakhs)



## Net Worth (Rs.in Lakhs)





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**Corporate Office**  
**KPR Mill Limited**

270-J, Periyar Colony,  
Anuppapalayam,  
Tirupur - 641 652.

Phone: +91 421 248 7051

Fax: +91 421 247 7254

Website: [www.kpmilllimited.com](http://www.kpmilllimited.com)

Email: [mail@kpmill.com](mailto:mail@kpmill.com)

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