

KG FABRIKS LIMITED



22nd ANNUAL REPORT 2015 - 2016



KG Fabriks Limited

CIN : U65999TZ1994PLC005630

Registered Office : Plot No. FF - 1, SIPCOT IGC, Perundurai - 638 052

Ph: 0422 - 3019291 Fax: 0422 - 3019110 Email:csd@kgfabriks.com, www.kgfabriks.com

NOTICE OF TWENTY SECOND ANNUAL GENERAL MEETING

Notice is hereby given that the TWENTY-SECOND ANNUAL GENERAL MEETING of the Members of KG FABRIKS LIMITED will be held on Monday, 26th September, 2016 at 3.45 p.m. at the Registered Office Premises, Plot No FF-1, SIPCOT IGC, Perundurai – 638052, to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Financial Statements of the Company for the year ended 31st March 2016, including Audited Balance Sheet as at 31st March 2016, Statement of Profit and Loss, Cash Flow Statement and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri R Selvakumar, (DIN No.00051608) who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass, with or without modification, the following Resolution relating to the appointment of the Statutory Auditors of the Company.

RESOLVED THAT pursuant to the provisions of Section 139 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014 and pursuant to the recommendation made by the Audit Committee of the Board, to approve the appointment of M/s Gopalaiyer and Subramanian, Chartered Accountants, (Firm Registration No 000960S), Coimbatore as Statutory Auditors, for a term of five financial years - 2016-17 to 2020-21 to hold office from the conclusion of this Annual General Meeting till the conclusion of the Annual General Meeting to be held in 2021 on such remuneration as shall be fixed by the Board of Directors and to record the retirement of Shri. C A Venkatesan, Chartered Accountant, Statutory Auditor from the conclusion of this Annual General Meeting.

SPECIAL BUSINESS

4. **To consider and if thought fit, to pass with or without modification(s), the following resolution as a ordinary resolution:**

RESOLVED THAT pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, the Company hereby ratifies the remuneration of Rs.65,000/- (Rupees Sixty five thousand only) plus out-of-pocket expenses payable to Shri M Nagarajan, (M No. 6384) Cost Accountant (Firm's Registration No. 000088) who have been appointed by the Board of Directors as the Cost Auditor of the Company, to conduct the audit of the cost records of the Company, for the Financial Year ending 31 March, 2017.

Coimbatore
25.06.2016

By Order of the Board
KG Baalakrishnan
(DIN No.00002174)
Chairman



NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND TO VOTE ON HIS / HER BEHALF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

A person can act as proxy on behalf of members not exceeding Fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or member.

The Instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the Companies, Societies etc., must be supported by an appropriate resolution / authority, as applicable.

2. Members are requested to notify any change in their address to Company's Registered Office immediately.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday the 19th September 2016 to Monday, the 26th September, 2016 (both days inclusive).
4. As per green initiative taken by the Ministry of Corporate Affairs, the shareholders are advised to register their e-mail address with the Company to enable service of documents such as Notice, Annual Report etc., in electronic form.

5. VOTING THROUGH ELECTRONIC MEANS

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide its members facility to exercise their right to vote at the 22nd Annual General Meeting (AGM) on the items mentioned in the notice by electronic means through e-voting Services provided by CDSL.

- a) As the Company, being a Unlisted Public Company and having more than 1000 Shareholders, is compulsorily required to provide e-voting facility to its members in terms of Section 108 of the Companies Act, 2013 read with the Rules made there under with effect from 01.01.2015 it has engaged the service of Central Depository Service Limited (CDSL), as the authorised agency to provide the e-voting facilities. The instructions for e-voting is provided below.
- b) The e-voting period commences on 21.09.2016 (9.00 a.m.) and ends on 23.09.2016 (5.00 p.m.). During this period shareholders' of the Company as on the cut-off date (record date) of 15.09.2016, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- c) The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date (record date) of 20.09.2016.
- d) Shri M.R.L.Narasimha FCS, Practising Company Secretary, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.



- e) The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- f) The Results shall be declared on or after the AGM of the Company along with the Scrutinizer's Report

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 21.09.2016 (9.00 a.m) and ends on 23.09.2016 (5.00 p.m) During this period shareholders' of the Company, holding shares either in physical form as on the cut-off date (record date) of 15.09.2016 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (iii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iv) Click on Shareholders.
- (v) Now Enter your User ID
Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are a first time user follow the steps given below:

	For Members holding shares in Physical Form
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department <ul style="list-style-type: none">● Members who have not updated their PAN with the Company are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.● In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

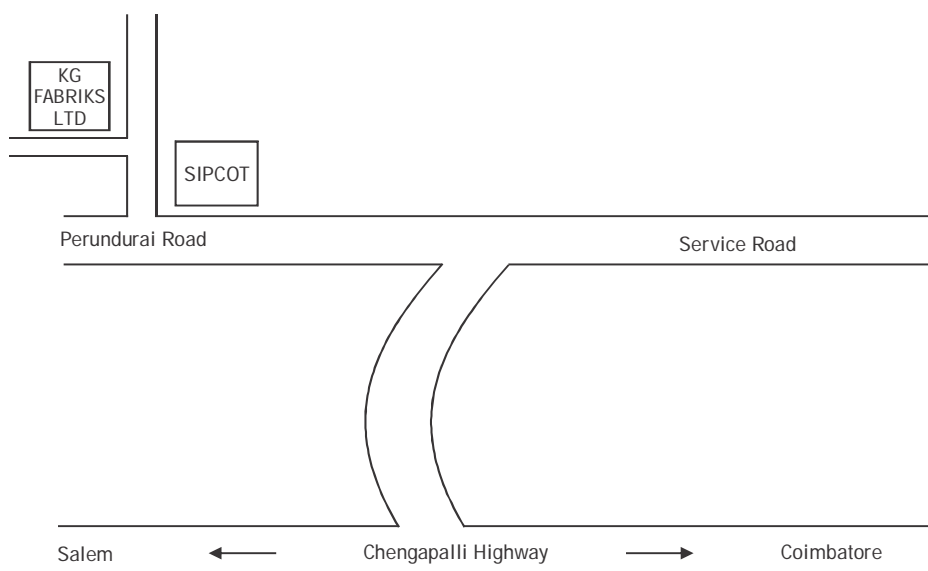


-
- (xi) Click on the EVEN for the relevant KG FABRIKS LIMITED on which you choose to vote.
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take a print of the votes cast by clicking on “Click here to print” option on the Voting page.
- (xvii) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively on or after 30th June 2016. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xviii) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
 - The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

Coimbatore
25.06.2016

By Order of the Board
KG Baal Krishnan
(DIN No.00002174)
Chairman

ROUTE MAP TO THE VENUE OF THE AGM



STATEMENT SETTING OUT MATERIAL FACTS UNDER SECTION 102 OF THE COMPANIES ACT, 2013.

ITEM No.4

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of Shri M Nagarajan, Cost Accountant as the Cost Auditor to conduct the audit of the cost records of the Company for the financial year ending March 31, 2017 at the remuneration of Rs.65,000/-p.a.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors as recommended by the Audit Committee and approved by the Board of Directors, has to be ratified by the members of the Company. Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No.4 of the Notice for ratification of the remuneration payable to the Cost Auditor for the financial year ending March 31, 2017.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the above resolution.

Coimbatore
25.06.2016

By Order of the Board
KG Baal Krishnan
(DIN No.00002174)
Chairman



Report of the Directors to the Shareholders

We have pleasure in presenting the Twenty-Second Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 2016.

([₹] in Lakhs)

Financial Results	Year ended 31.03.2016	Year ended 31.03.2015
Total Revenue	16368.94	16119.37
Gross profit	1672.96	1196.23
Interest	1201.20	1185.75
Profit before Depreciation	471.76	10.48
Depreciation	331.58	367.69
Net Profit before Tax	140.18	-357.21

State of the Company's affairs

During the period under review, the Company has earned revenue of Rs.16369 lakhs and Net Profit of Rs.140 lakhs

Performance

Company produced 106.76 lakh meters for the year as against 102.67 lakh meters during previous year due to change in product and market trend. Sales for the year were 105.22 lakh meters as against 100.13 lakh meters for previous year including exports of 4.93 lakh meters for the year against 7.29 lakh meters for the previous year. Company is taking proactive steps to increase production and quality by making further improvements in the plant facilities.

Sales for the year were Rs 16346 lakhs as against sales of Rs 16078 lakhs for the previous year Exports for the year were Rs.861 lakhs as against Rs 1354 lakhs for the previous year. Profitability of operations improved during the year due to various measures initiated for increasing output, quality and cost reduction. Company is taking further steps to improve profitability by going in for latest products and supply to brands.

Outlook

The outlook for the industry continues to be bright as additional capacities are getting created in the industry both by existing and new players. Competition in the industry too has intensified due to capacity addition and introduction of new products. The concerns and challenge in the industry is ability to innovate on products, processes and make products at competitive costs and pass on increased input costs by way of increased sale prices.

Health, Safety, and Environment Protection

Your Company has complied with all the applicable environmental laws and labour laws. The Company continues to be certified under ISO 9001:2008 Standard for manufacture of denim and industrial fabrics. Company also holds approval of **HOHENSTEIN** Textile Testing Institute, Germany for use of Oeko-Tex mark. The Company has been complying with the relevant laws and has been taking all necessary measures to protect the environment and maximize worker protection and safety.

Transfer of Amount to Reserves

The Company does not propose to transfer any amount to General Reserve for the financial year ended 31st March, 2016.

Meetings of the Board of Directors

During the year ended 31st March, 2016, four Board Meetings were held.

The dates on which the Board meetings were held are 27th May 2015, 10th August 2015, 23rd November 2015 & 21st March 2016.

A meeting of the Independent Directors of the Board was held on 21.03.2016.

Directors Responsibility Statement as required under Section 134 of the Companies Act, 2013

Pursuant to the requirement under Section 134 of the Companies Act, 2013, with respect to the Directors' Responsibility Statement the Board of Directors of the Company hereby confirms:

- i) that in the preparation of the Annual Accounts the applicable accounting standards have been followed;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2016 and Statement of Profit and Loss Account of the Company for that period;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the Annual Accounts for the Financial Year ended 31st March, 2016 on a going concern basis;
- v) that the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Statement on Declaration given by Independent Directors under Sub-Section (7) of Section 149 of the Companies Act, 2013

The Independent Directors have submitted the declaration of independence as required pursuant to Section 149(7) of the Companies Act, 2013 stating that they meet the criteria of independence as provided in sub-section(6).

Extracts of Annual Return

The extracts of Annual Return is prepared in Form MGT-9 as per the provisions of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 and the same is enclosed as **Annexure - 1** to this Report.



The conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to provisions of Section 134(3)(m) of the Companies Act, 2013 (Act) read with the Companies (Accounts) Rules, 2014

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 134(3)(m) of the Act read with Companies (Accounts) Rules, 2014 is prepared and the same is enclosed as **Annexure - 2** to this Report.

Directors

Shri L Vasudev (DIN: 07237448) was appointed as an Independent Director, not liable to retire by rotation, to hold office for a term of five consecutive years at the last AGM held on 26.9.2015.

Shri R Selvakumar (DIN 00051608) Director retires by rotation and being eligible offers himself for reappointment at the ensuing Annual General Meeting as Director. Your Directors recommend his reappointment.

The Central Government approved the appointment and remuneration payable to Shri A Velusamy, (DIN 00002204) Whole time Director Key Managerial Personnel for a period of 3 years w.e.f. 27.05.2015 vide their order dated 24.05.2016.

All Independent Directors have given declarations that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

There is no other change in the Board of Directors of the Company.

Key Managerial Personnel

The following are the Key Managerial Personnel of the Company:

- | | |
|--------------------------------|-------------------------|
| 1. Shri A Velusamy | Wholetime Director |
| 2. Shri C N Gayathri Narayanan | Chief Financial Officer |
| 3. Shri G Sasikumar | Company Secretary |

The Board at its Meeting held on May 27, 2015 has appointed Shri A Velusamy as Key Managerial Personnel (Group –Wholetime Director).

Committees of the Board

The Board of Directors has the following Committees:

1. Audit Committee
2. Remuneration and Nomination Committee
3. Committee of Directors (Stakeholders' Relationship Committee)

Evaluation by the Board

The Board has made a formal annual evaluation of its own performance, Committees of the Board, Independent Directors and Individual Directors of the Company. The Board's performance was evaluated based on the criteria like structure, governance, dynamics & functioning, approval & review of operations, financials and internal controls etc.

The performance of the Independent Directors as well as Individual Directors including the Chairman

of the Board were evaluated based on the evaluation criteria laid down under the Nomination and Remuneration Policy and the Code of Conduct as laid down by the Board.

The Committees of the Board were evaluated individually based on the terms of reference specified by the Board to the said Committee. The Board of Directors were satisfied with the evaluation process which ensured that the performance of the Board, its Committees, Independent Directors and Individual Directors adhered to their applicable criteria.

Particulars of Employees

The information required pursuant to Section 197 read with Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, is not applicable.

Particulars of Loans, Guarantees and Investments under Section 186 of Companies Act, 2013

The details of Loans, Guarantees given and Investments made during the financial year ended on 31st March, 2015 are given in the notes to financial statements in compliance with the provisions of Section 186 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014.

Particulars of Contracts and Arrangements with Related Parties Referred to in Sub-Section (1) of Section 188 of Companies Act, 2013

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee as also the Board for approval. Prior omnibus approval of the Audit Committee is obtained on an annual basis for the transactions which are of a foreseen and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted are audited and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis. None of the Directors has any pecuniary relationships or transactions vis-à-vis the Company.

In response to Rule 8(2) of Companies (Accounts) Rules, 2014, particulars of contracts or arrangements with related parties during the year under review given in the Form AOC-2, annexed herewith as **Annexure - 3**.

Statutory Auditor

The Company's Auditors, Shri C A Venkatesan, Chartered Accountant, Coimbatore hold office till the conclusion of the ensuing Annual General Meeting scheduled on 26th September, 2016. Shri C A Venkatesan, Chartered Accountant, Coimbatore will retire at the ensuing AGM and has not sought for reappointment.

The Audit Committee has recommended to the Board of Directors, the appointment of M/s Gopalaiyer and Subramanian, Chartered Accountants (Firm Registration No 000960S), Coimbatore as the



Statutory Auditors as their qualifications and experience have been found to be commensurate with the size and requirements of the Company.

M/s Gopalaiyer and Subramanian, Chartered Accountants, Coimbatore have consented and confirmed their eligibility for appointment as Statutory Auditors of the Company.

The Board of Directors considered the matter and has recommended the appointment of M/s Gopalaiyer and Subramanian as the Statutory Auditors in place of the retiring Auditors, Shri C A Venkatesan.

Cost Auditor

As per the requirement of Central Government and pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014 as amended from time to time, your Company has been carrying out audit of cost records every year.

The Board of Directors, on the recommendation of Audit Committee, has appointed Shri M Nagarajan, Cost Accountant (Firm Registration Number 000088) as Cost Auditor to audit the cost accounts of the Company for the financial year 2016-17. As required under the Companies Act, 2013, a resolution seeking member's approval for the remuneration payable to the Cost Auditor forms part of the Notice convening the Annual General Meeting for their ratification.

Auditor's Report

Shri C A Venkatesan, Chartered Accountant (ICAI M No. 19753) has issued Auditors Report for the financial year ended 31st March, 2016 and there are no qualifications in Auditor's Report.

Audit Committee

Audit Committee consists of the following Directors namely Shri L Vasudev, Chairman, Shri A Velusamy and Shri R Rajesh as members.

There is no such incidence where Board has not accepted the recommendation of the Audit Committee during the year under review.

Vigil Mechanism

The Board of Directors have adopted a Whistle Blower Policy, which aims for conducting the affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behavior. All permanent employees of the Company are covered under the Whistle Blower Policy.

A mechanism has been established for employees to report concerns about unethical behavior, actual or suspected fraud or violation of Code of Conduct and Ethics. It also provides for adequate safeguards against the victimization of employees who avail of the mechanism and allows direct access to the Chairperson of the Audit Committee in exceptional cases.

Environment

The Company is primarily focused on environmental management system. It ensures that the manufacturing of products is carried on without affecting the environment in the working area and surroundings.



Policy on Sexual Harassment

The Company has adopted policy on Prevention of Sexual Harassment of Women at Workplace in accordance with The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the financial year ended 31st March, 2016, the Company has not received any complaints pertaining to sexual harassment.

Legal Requirements

The Company is conscious of improving the occupational and personal health of its employees. In addition to free medical camps, the Company also organizes employees' health check up in outside hospitals on an annual basis.

The Company provides a safer work environment for its employees. Basic equipments are provided to ensure safety from fire. Awareness classes are being conducted periodically with the help of external agencies about the basic safety, fire fighting, mock drills, mass evacuation first aid etc.,

Insurance

All properties and insurable interests of the Company including building, plant and machinery and stocks have been fully insured.

Finance

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

Material changes and commitments

There are no material changes and commitments in the business operations of the Company from the financial year ended 31st March, 2016 to the date of signing of the Director's Report.

Personnel

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

Acknowledgment

The Directors take this opportunity to place on record their sincere thanks to the Banks, Insurance Companies, Central and State Government Departments and the shareholders for their support and co-operation extended to the Company from time to time.

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

Coimbatore
25.06.2016

On behalf of the Board
KG Baalakrishnan
Chairman
DIN: 00002174



**Annexure 1 - FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
As on financial year ended on 31.03.2016**

**Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Company
(Management & Administration) Rules, 2014.**

I REGISTRATION & OTHER DETAILS:

1	CIN	U65999TZ1994PLC005630
2	Registration Date	23.12.1994
3	Name of the Company	KG Fabriks Limited
4	Category/Sub-category of the Company	Textiles
5	Address of the Registered office & contact details	Plot No. FF-1, SIPCOT IGC, Perundurai – 638 052 Phone No : 0422 3019291, csd@kgfabriks.com
6	Whether listed company	No
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Cameo Corporate Services Ltd "Subramanian Building" No.1, Club House Road, Chennai - 600 002 Phone No : 044 28460390 (5 lines) cameo@cameoindia.com

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S.No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Denim Fabrics	1312	100%

III PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY

S.No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	NIL	NIL	NIL

IV SHARE HOLDING PATTERN

(Equity Share Capital Breakup as percentage of Total Equity) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	-	8538279	8538279	41.12	-	9070479	9070479	43.69	2.57
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.		6402575	6402575	30.84		7152575	7152575	34.45	3.61
e) Banks / FI									
f) Any other									
Total shareholding of Promoter (A)	-	14940854	14940854	71.96	-	16223054	16223054	78.15	6.17

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	%of Total Shares	Demat	Physical	Total	%of Total Shares	
B. Public Shareholding									
1. Institutions	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-
2. Non-Institutions									
a) Bodies Corp.	-	531300	531300	2.55	-	22200	22200	0.10	-2.45
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	4537909	4537903	21.85	-	4515309	4515309	21.73	-0.12
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	750000	750000	3.61	-	-	-	-	-3.61
c) Others (specify)	-	-	-	-	-	-	-	-	-
Non Resident Indians	-	-	-	-	-	-	-	-	-
Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
Foreign Nationals	-	-	-	-	-	-	-	-	-



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
Clearing Members	-	-	-	-	-	-	-	-	-
Trusts	-	-	-	-	-	-	-	-	-
Foreign Bodies	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	-	5819209	5819209	28.03	-	5310109	5310109	25.57	-0.10
Total Public Shareholding (B)=(B)(1)+ (B)(2)	-	5819209	5819209	28.03	-	5310109	5310109	25.57	-0.10
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	20760063	20760063	100.00	-	20760063	20760063	100.00	0.00

B) Shareholding of Promoters

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Shri KG Baal Krishnan	6119234	29.48	-	6628334	31.93	-	2.45
2	K G Denim Ltd	3270000	15.75	-	3270000	15.75	-	Nil
3	Sri Kannapiran Mills Ltd	2825575	13.61	-	2825575	13.61	-	Nil
4	Shri B Srihari	841700	4.05	-	864800	4.17	-	0.12
5	Shri B Sriramulu	780009	3.75	-	780009	3.75	-	Nil
6	Smt B Sathyabama	775009	3.73	-	775009	3.73	-	Nil
7	Ganapathykumaran Investments P Ltd	394100	1.89	-	-	-	-	-1.89
8	Sri Balamurugan Textile Processing Ltd	307000	1.47	-	307000	1.47	-	Nil
9	Kumaranganapathy Investments P Ltd	115000	0.55	-	-	-	-	-0.55
10	Smt Deepika Karthikeyan	10800	0.05	-	10800	0.05	-	Nil
11	Dr G Bakthavathsalam	4509	0.02	-	4509	0.02	-	Nil
12	Smt R Vasanthi	2500	0.01	-	2500	0.01	-	Nil
13	Smt V Sarathadevi	2500	0.01	-	2500	0.01	-	Nil
14	Shri B Ashok	1509	0.00	-	1509	0.00	-	Nil
15	Shri D Balasundaram	500	0.00	-	500	0.00	-	Nil
16	Shri A Velusamy	9	0.00	-	9	0.00	-	Nil
17	Crocodile India P Ltd.	0	0	-	750000	3.61	-	3.61

C) Change in Promoters' Shareholding (please specify, if there is no change)

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	K G BAALAKRISHNAN				
	At the beginning of the year 01-Apr-2015	6119234	29.4759	6119234	29.4759
	Purchase 31-Mar-2016	509100	2.4523	6628334	31.9282
	At the end of the Year 31-Mar-16	6628334	31.9282	6628334	31.9282
2	SRIHARI B				
	At the beginning of the year 01-Apr-2015	841700	4.0544	841700	4.0544
	Purchase 13-Jul-2015	1700	0.0081	843400	4.0626
	Purchase 19-Aug-2015	1400	0.0067	844800	4.0693
	Purchase 30-Oct-2015	10400	0.0500	855200	4.1194
	Purchase 09-Dec-2015	1400	0.0067	856600	4.1261
	Purchase 28-Dec-2015	4300	0.0207	860900	4.1469
	Purchase 31-Mar-2016	3900	0.0187	864800	4.1656
	At the end of the Year 31-Mar-16	864800	4.1656	864800	4.1656
3	GANAPATHYKUMARAN INVESTMENTS P LTD				
	At the beginning of the year 01-Apr-2015	394100	1.8983	394100	1.8983
	Sale 31-Mar-2016	-394100	1.8983	0	0.0000
	At the end of the Year 31-Mar-2016	0	0.0000	0	0.0000
4	KUMARANGANAPATHY INVESTMETNS (P) LTD				
	At the beginning of the year 01-Apr-2015	115000	0.5539	115000	0.5539
	Sale 31-Mar-2016	-115000	0.5539	0	0.0000
	At the end of the Year 31-Mar-2016	0	0.0000	0	0.0000
5	CROCODILE INDIA PVT LTD				
	At the beginning of the year 01-Apr-2015	0	0.0000	0	0.0000
	Purchase 31-Mar-2016	750000	3.6127	750000	3.6127
	At the end of the Year 31-Mar-2016	750000	3.6127	750000	3.6127



**D) Shareholding Pattern of top ten Shareholders:
(Other than Directors, Promoters and Holders of GDRs and ADRs):**

SN	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Shri O Arumugasamy	10000	0.04	10000	0.04
2	Shri Indra Kumar Bagri	7100	0.03	7100	0.03
3	M/s. Revati Investments P Ltd	5600	0.02	5600	0.02
4	Shri M Ayyappan	5600	0.02	5600	0.02
5	Shri R Balamurugan	5000	0.02	5000	0.02
6	Shri Kishore P Popat	5000	0.02	5000	0.02
7	Shri M Subramaniam	5000	0.02	5000	0.02
8	Shri R Umaphathi	5000	0.02	5000	0.02
9	Shri Dilip Kumar	4500	0.02	4500	0.02
10	Smt M C Annamma	3800	0.01	3800	0.01

E) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Shri KG Baalakrishnan At the beginning of the year	61 19234	29.47	6119234	29.47
	Purchase 31.03.2016			509100	2.45
2	Shri A Velusamy At the beginning of the year	9	0.00	9	0.00
3	Shri L Vasudev At the beginning of the year	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
4	Shri Duraipandian Kumaravel At the beginning of the year	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
5	Shri R Rajesh At the beginning of the year	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
6	Shri R Selvakumar At the beginning of the year	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
7	Shri C N Gayathrinarayanan At the beginning of the year	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
8	Shri G Sasikumar At the beginning of the year	0	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00

V Indebtedness -Indebtedness of the Company including interest outstanding/accrued but not due for payment. Rs. In Lakhs

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	3924.04	94.24	Nil	4018.28
ii) Interest due but not paid				
iii) Interest accrued but not due	124.08			124.08
Total (i+ii+iii)	4048.12	94.24	Nil	4142.36
Change in Indebtedness during the financial year				
* Addition	1507.51	16.25		1523.76
* Reduction	1647.87	52.65		1700.52
Net Change	-140.36	- 36.40	Nil	-176.76
Indebtedness at the end of the financial year				
i) Principal Amount	3865.75	57.84		3923.59
ii) Interest due but not paid	-	0		0
iii) Interest accrued but not due	42.01	0		42.01
Total (i+ii+iii)	3907.76	57.84	Nil	3965.60

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount
		Shri A Velusamy, Whole Time Director	
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	8 44 673	8 44 673
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	86 779	86 779
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		
2	Stock Option		
3	Sweat Equity		
4	Commission- as % of profit- others, specify...		
5	Others, please specify		
	Total (A)	9 31 452	9 31 452
	Ceiling as per the Act	12 02 482	



B. Remuneration to other directors

SN.	Particulars of Remuneration	Name of Directors				Total Amount
		Shri L. Vasudev	Shri D Kumaravel	Shri R. Rajesh		
1	Independent Directors					
	Fee for attending board committee meetings	35000	15000	35000	-	85000
	Commission	0	0	0	-	-
	Others, please specify	-	-	-	-	-
	Total (1)	35000	15000	35000	-	85000
2	Other Non-Executive Directors					
	Fee for attending board committee meetings	15000	15000	-	-	30000
	Commission	0	0	-	-	-
	Others, please specify	-	-	-	-	-
	Total (2)	15000	15000	-	-	-
	Total (B)=(1+2)	50000	30000	35000	-	115000
	Total Managerial Remuneration (A+B)	-	-	-	-	931452
	Overall Ceiling as per the Act	-	-	-	-	1202482

C. Remuneration to key managerial personnel other than MD/Manager/WTD

SN	Particulars of Remuneration	Key Managerial Personnel			
		WTD	CS	CFO	Total
1	Gross salary	-	-	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	6.40	5.80	12.20
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	others, specify...	-	-	-	-
5	Others, please specify	-	-	-	-
	Total	-	6.40	5.80	12.20

VII. Penalties / Punishment/ Compounding of Offences:

There were no penalties, punishment or compounding of offences during the year ended 31st March 2016



Annexure - 2

A. CONSERVATION OF ENERGY:

- 1) The steps taken or impact on conservation of energy:
 - a) Energy conservation measures taken:
Normal tube lights have been converted in to LED bulbs.
- 2) The steps taken by the Company for utilizing alternate sources of energy: NIL
- 3) The Capital investment on energy conservation equipments: Rs 3.40 lakhs

B. TECHNOLOGY ABSORPTION:

- i. The Efforts made towards technology absorption: NIL
- ii. The Benefits derived like product improvement, cost reduction, product development or import substitution: NIL
- iii. Details of technology imported during the past 3 years:
No technology has been imported during the past 3 years.
 - a. The details of technology import: -NIL
 - b. The year of import: -NIL
 - c. Whether the technology has been fully absorbed: -NIL
 - d. If not fully absorbed, areas where absorption has not taken place, and the reasons thereof: -NIL
- iv. The expenditure incurred on Research and Development: -N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows:

Particulars	March 31, 2016	March 31, 2015
Used	911.17	780.28
Earned	861.22	1354.45

Annexure – 3 Form No. AOC-2

(Pursuant to clause (h) of sub-Section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-Section (1) of Section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis - NIL
2. Details of material contracts or arrangement or transactions at arm's length basis

S. No.	Name of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts / arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances, if any
1	K G Denim Ltd Section 2(76)(v) Public Company in which a directors holds along with his relatives more than 2% of its paid up share capital.	Sale of Fabrics Job works Miscellaneous Sales/ Purchase	1 years till 31.03.2017	Sale of Fabrics, Job works & Miscellaneous Sales/Purchases covered under Section 188(1)(d) of Companies Act, 2013. For the Financial year 2015-16 Sale of Fabrics, Job works & Miscellaneous Sales/Purchases were Rs.191.44 lakhs	27.05.2015 10.08.2015 23.11.2015 21.03.2016	Nil
2	Sri Kannapiran Mills Ltd Section 2(76)(v) Public Company in which a director holds along with his relatives more than 2% of its paid up share capital.	Conversion contract	3 years till 26.09.2018	Conversion of cotton / fibre into yarn covered under Section 188(1)(d) of Companies Act, 2013. For the year 2015-16. Conversion charges paid Rs.2406.07 lakhs	27.05.2015 10.08.2015 23.11.2015 21.03.2016	Nil

On behalf of the Board
KG Baalakrishnan
Chairman
DIN: 00002174

Coimbatore
25.06.2016



INDEPENDENT AUDITOR'S REPORT

To the Members of KG FABRIKS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of KG Fabriks Limited ('the Company'), which comprise the Balance Sheet as at 31st March 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2016 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and 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 statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "**Annexure B**"; and
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations.
 - ii. The Company does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses
 - iii. As the Company has not declared any dividends in the earlier years, transferring of dividends to Investor Education and Protection Fund does not arise.

Coimbatore
25.06.2016

CA.VENKATESAN
Chartered Accountant
M.No 19753



ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

The Annexure referred to in our Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31st March 2016, we report that:

- 1 a The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the period and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of to the Company and the nature of its assets.
- c According to the information and explanations given to us and on the basis of details and representation furnished to us, the title deeds of immovable properties are held in the name of the Company.
- 2 a As explained to us, inventories have been physically verified by the management at regular intervals during the year.
- b In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are 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 as compared to the book records.
- 3 During the year, the company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013 and hence, Clause (b) and (c) is not applicable.
- 4 In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Act, with respect to the investments made.
- 5 The company has not accepted any deposits from the public and as such clause 3(v) of the Order is not applicable.
- 6 We have broadly reviewed the cost records maintained by the company specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, as applicable to the company, and are of the opinion that prima facie the specified cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- 7 a According to the information and explanations given to us the company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State insurance, Income tax, Service Tax, value added tax, and any other statutory dues with the appropriate authorities during the year. According to the information and explanations given to us, no

undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2016 for a period of more than six months from the date they became payable

- b According to the information and explanations given to us, there are no dues of Income tax, Service tax or Value added tax which have not been deposited with the appropriate authorities on account of any dispute.
- 8 In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to any of the banks.
- 9 The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, clause 3 (ix) of the Order is not applicable.
- 10 To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year that causes the financial statements to be materially misstated.
- 11 According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- 12 In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, clause 3(xii) of the Order is not applicable.
- 13 According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- 14 According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- 15 According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with Directors or persons connected with him. Accordingly paragraph 3(xv) of the Order is not applicable.
- 16 The Company is not required to be registered under Section 45-1A of the Reserve Bank of India Act, 1934.

Coimbatore
25.06.2016

CA.VENKATESAN
Chartered Accountant
M.No 19753



ANNEXURE - B TO THE AUDITORS' REPORT

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **KG Fabriks Limited** as of **31st March 2016** in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls have operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk whether a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at **31st March 2016**, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

CA. Venkatesan
Chartered Accountant
M.No 19753

Coimbatore
25.06.2016

**BALANCE SHEET AS AT MARCH 31, 2016**

(in Lakhs)

PARTICULARS	NOTE No	31.03.2016	31.03.2015
<u>EQUITY AND LIABILITIES</u>			
<u>SHAREHOLDERS' FUNDS</u>			
Share Capital	1	22 11.01	22 11.01
Reserves and Surplus	2	7 55.59	6 37.15
<u>NON-CURRENT LIABILITIES</u>			
Long Term Borrowings	3	25 42.76	26 13.91
Other Long - Term Liabilities	5	57.84	94.24
Long - Term Provisions	6	43.53	40.42
<u>CURRENT LIABILITIES</u>			
Short Term Borrowings	7	30 52.78	30 95.21
Trade Payables	8	24 35.06	28 95.99
Other Current Liabilities	9	26 18.71	25 08.88
Short Term Provisions	10	2.49	2.17
TOTAL		1 37 19.78	1 40 98.98
<u>ASSETS</u>			
<u>NON-CURRENT ASSETS</u>			
Fixed Assets			
Tangible Assets	11	67 61.40	68 83.73
Non-Current Investments	12	36.48	90.20
Deferred Tax Assets (Nett)	4	1 43.66	1 64.03
Long-Term Loans and Advances	13	3 22.13	3 22.13
Other Non-Current Assets	14	9.52	6.94
<u>CURRENT ASSETS</u>			
Inventories	15	27 89.23	28 52.32
Trade Receivables	16	30 23.54	31 13.58
Cash and Cash equivalents	17	1 71.48	1 59.88
Short-Term Loans and Advances	18	2 22.12	2 77.86
Other Current Assets	19	2 40.22	2 28.32
TOTAL		1 37 19.78	1 40 98.98

Significant Accounting Policies and Notes form an intergal part of the financial statements

As per our report of even dated

C A Venkatesan
Chartered Accountant
M.No. 19753
Coimbatore
25th June 2016

KG Baalakrishnan
Chairman
(DIN 00002174)
C N Gayathri Narayanan
Chief Financial Officer

A Velusamy
Wholetime Director
(DIN 00002204)
G. Sasikumar
Company Secretary



STATEMENT PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016
(in Lakhs)

PARTICULARS	NOTE NO	31.03.2016	31.03.2015
REVENUE			
Revenue from operations	20	1 63 46.09	1 60 77.90
Other income	21	22.85	41.47
TOTAL REVENUE		1 63 68.94	1 61 19.37
EXPENSES:			
Cost of material consumed	22	65 45.44	73 59.02
Purchase of Stock-in-Trade		51.50	-
Changes in Inventories of Finished Goods, work-in-progress and Stock-in-Trade	23	3 12.09	49.39
Other Manufacturing Expenses	24	60 43.17	60 64.92
Employee Benefits Expenses	25	9 12.73	7 46.56
Finance Costs	26	12 01.20	11 85.75
Depreciation		3 31.58	3 67.69
Other Expenses	27	8 31.05	7 03.25
TOTAL EXPENSES		1 62 28.76	1 64 76.58
PROFIT BEFORE TAX		1 40.18	- 3 57.21
TAX EXPENSES			
Less : Income Tax for earlier years		1.36	3.85
ADD : Deferred Tax Asset		-20.37	1 44.00
PROFIT AFTER TAX		1 18.45	- 2 17.06
EARNING PER EQUITY SHARE			
Basic and Diluted Earnings per share (in Rs.) (FACE VALUE Rs.10 each)		0.57	(1.05)

Significant Accounting Policies and
Notes form an intergal part of the financial statements

As per our report of even dated

C A Venkatesan
Chartered Accountant
M.No. 19753
Coimbatore
25th June 2016

KG Baalakrishnan
Chairman
(DIN 00002174)
C N Gayathri Narayanan
Chief Financial Officer

A Velusamy
Wholetime Director
(DIN 00002204)
G. Sasikumar
Company Secretary



CASH FLOW STATEMENT FOR THE YEAR ENDED 2015-16

(` in Lakhs)

PARTICULARS	31.03.2016	31.03.2015
A. Cash Flow from Operating Activities		
Net Profit before tax	1 40.18	-3 57.21
Adjustments for :		
Depreciation	331.58	3 67.69
Loss on sale of assets	2.00	.00
Interest income	- 17.96	- 21.93
Dividend income	- 1.50	- 1.50
Interest paid	10 76.94	11 49.79
Operating Profit before Working Capital Changes	15 31.24	11 36.84
(Increase)/Decrease in trade and other receivables	133.97	3 11.87
(Increase)/Decrease in inventories	63.09	86.03
Increase/(Decrease) in trade and other payables	-301.98	26.02
Cash generated from operations	14 26.32	15 60.76
Direct taxes paid	-4.06	- 1.75
Net Cash from Operating activities	14 22.26	15 59.01
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-212.11	-1 70.03
Proceeds from sale of fixed assets	0.86	.00
Sale of Investments	53.72	5.85
Interest received	17.96	21.93
Dividend received	1.50	1.50
Net cash used in investing activities	-1 38.07	-1 40.75
C. CASHFLOW FROM FINANCING ACTIVITIES		
Long term Borrowings	-71.14	-8 99.36
Short term borrowings	-42.43	4 40.83
Interest paid	-11 59.02	- 10 61.66
Net cash used in financing activities	-12 72.59	- 15 20.19
Net increase in cash and cash equivalents (A+B+C)	11.60	- 1 01.93
Cash and cash equivalents at beginning of the year	1 59.88	2 61.81
Cash and cash equivalents at end of the year	1 71.48	1 59.88

As per our report of even dated

C A Venkatesan
Chartered Accountant
M.No. 19753
Coimbatore
25th June 2016

KG Baalakrishnan
Chairman
(DIN 00002174)
C N Gayathri Narayanan
Chief Financial Officer

A Velusamy
Wholetime Director
(DIN 00002204)
G. Sasikumar
Company Secretary

SIGNIFICANT ACCOUNTING POLICIES

A) AS-1 DISCLOSURE AND BASIS OF ACCOUNTING

- i. The Financial Statements have been prepared under the Historical cost convention in accordance with the provisions of the Companies Act, 2013 and accounting principles generally accepted in India and comply with the Accounting Standards as prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. Accounting policies have been consistently applied except where a newly issued Accounting Standard is initially adopted or a revision to an existing Accounting Standard requires a change in the accounting policy hitherto in use.
- ii. The accounts are prepared on the basis of going concern concept only.
- iii. The Company has been consistently following the accrual basis of accounting in respect of its Income and Expenditure.

B) AS-2 VALUATION OF INVENTORIES

Stock of Stores	-	At Cost arrived at on Weighted Average Method
Raw Materials	-	At Cost or Net realisable value which ever is lower.
Process Stock	-	At Cost where cost included direct expenses and related overheads
Finished Goods	-	At Cost or net realisable value which ever is lower.
Waste	-	At since realised price.

C) AS-3 CASH FLOW STATEMENT

Cash flows are reported using the indirect method, where by the profit before tax is adjusted for the effect of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and Cash equivalent include cash on hand and balances with banks in current and deposit accounts with necessary disclosure of cash and cash equivalent balances that are not available for you by the company.

D) AS -6 DEPRECIATION ACCOUNTING

Depreciation on Fixed Assets has been provided on Straight line basis based on the balance useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 effective from 01.04.2014. In respect of additions and sales, pro-rata depreciation is calculated from the date of purchase or to the date of sale as the case may be.

E) AS-9 REVENUE/INCOME RECOGNITION

- i. Sales of goods is recognized on shipment or dispatches to Customers



- ii Sales as reported are net of sales tax.
- iii Proceeds of export sales of Fabric/ Yarn are accounted on the basis of credit given by our bankers. The Gain/ Loss on account of Foreign Exchange transactions if any is accounted separately in Profit and Loss Account.
- iv. Revenue from service transactions are recognised on the completion of the contract at the contracted rates only.
- v. Export incentives under DEPB licence and premium on transfer of Export incentives are accounted on accrual basis.

F) AS-10 ACCOUNTING OF FIXED ASSETS

Fixed Assets are stated at the original cost of acquisition & installation etc., and include amounts added on revaluation, less accumulated depreciation.

G) AS-11 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at the prevailing rate of exchange in force at the time of initial recognition.

Foreign Currency assets and liabilities other than for financing fixed assets are restated at the rate of exchange prevailing at the year end and resultant gains / losses are recorded in the profit and loss account.

Premium in respect of forward foreign exchange contracts is recognized over the life of the contracts.

Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense in the period in which they arise.

H) AS-13 ACCOUNTING OF INVESTMENTS

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

I) AS-15 ACCOUNTING FOR EMPLOYEE RETIREMENT BENEFITS

Defined Contribution Plans

Company's contributions paid/ payable during the year to Provident Fund and ESIC are recognised in the Profit and Loss account.

Defined Benefit Plans

Company's liabilities towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognised on a straight line basis over the average period until the amended benefits becomes vested. Actuarial gains or losses are recognized immediately in the profit and loss account as income or expenses. Obligation is measured at the present value of estimated future cash flows using a discounted rate.

J) AS-16 BORROWING COSTS

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

K) AS-18 RELATED PARTY DISCLOSURES

The related party transactions are disclosed in the notes of accounts as per the ICAI guidelines.

L) AS-19 LEASES

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

M) AS-20 EARNING PER SHARE

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

N) AS-22 ACCOUNTING FOR TAXES ON INCOME

- i. Deferred tax resulting from timing differences between book and tax profits is accounted under liability method at enacted or substantively enacted rate as on the balance sheet date. Deferred tax asset, other than those arising on account of unabsorbed depreciation or carried forward of losses under tax loss, are recognised and carried forward subject to consideration of prudence only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.
- ii. Deferred tax asset, arising on account of unabsorbed depreciation or carried forward of losses under tax loss, are recognised and carried forward subject to consideration of prudence only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.
- iii. Current Tax is determined at the amount of tax payable in respect of estimated taxable income for the year.

O) AS-28 IMPAIRMENT OF ASSETS

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired.



P) AS-29 PROVISIONS, CONTINGENT LIABILITY AND CONTINGENT ASSETS

- a) Provisions involving degree of estimation in measurement are recognized when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources.
- b) Contingent liabilities in respect of show cause notice received are considered only when they are converted to demands. Contingent liabilities are disclosed by way of notes to accounts.
- c) Contingent liability under various fiscal laws includes those in respect of which the company/department is in appeal.

OTHERS

SUNDRY DEBTORS AND ADVANCES

Specific debts and advances identified as irrecoverable if any are written off.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2016

NOTE NO	PARTICULARS	31.03.2016		31.03.2015	
1	SHARE CAPITAL:	(` in Lakhs)		(` in Lakhs)	
		Numbers	Numbers	Amount	Amount
	AUTHORISED	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	Equity Shares of Rs.10/- each	2 10.00	2 10.00	21 00.00	21 00.00
	6% Preference Shares of Rs.100/- each	3.00	3.00	3 00.00	3 00.00
	ISSUED, SUBSCRIBED AND PAID UP				
	20760063 Equity Shares of Rs.10/- each	2 07.60	2 07.60	20 76.01	20 76.01
	(Previous year : 20760063 Equity Shares of Rs.10/- each)				
	135000 Preference Shares of Rs.100/- each	1.35	1.35	1 35.00	1 35.00
	(Previous year : 135000 Preference Shares of Rs.100/- each)				
		2 08.95	2 08.95	22 11.01	22 11.01

Reconciliation of number of shares

No. of Equity Shares at the beginning of the period	2 07 60 063	2 07 60 063
No. of Equity Shares at the end of the period	2 07 60 063	2 07 60 063

6% Cumulative Redeemable Preference Shares

No. of Preference Shares at the beginning of the period	1 35 000	1 35 000
No. of Preference Shares at the end of the period	1 35 000	1 35 000

Shareholders holding more than 5% shares

	No.of Shares	No.of Shares
Shri KG Baalakrishnan	66 28 334	61 19 234
K G Denim Limited	32 70 000	32 70 000
Sri Kannapiran Mills Limited	28 25 575	28 25 575

Terms & Conditions of equity shares :

The Company has two class of shares namely equity shares having a par value of Rs.10 per share and preference having a par value of Rs.100 per share. Each Share holder is eligible for one vote per share.

In the event of liquidation, the equity share holders are eligible to receive the remaining assets of the company after distribution of all preferential amounts in proportion of their share holding.

There are no shares allotted as fully paid without payments being received in cash, bonus shares or shares bought back.

The Preference Shares were allotted during the year 2009-10 and are redeemable at par on 31.03.2018.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2016
(` in Lakhs)

NOTE NO	PARTICULARS	31.03.2016	31.03.2015
2	RESERVE & SURPLUS:		
	General Reserve		
	Opening Balance	18.25	18.25
	(+) Current Year Transfer	-	-
	(-) Written Back in Current Year	-	-
	Closing Balance	<u>18.25</u>	<u>18.25</u>
	Revaluation Reserve		
	Opening Balance	13 92.25	13 92.25
	(+) Current Year Transfer	-	-
	(-) Written Back in Current Year	-	-
	Closing Balance	<u>13 92.25</u>	<u>13 92.25</u>
	Surplus		
	As per last Balance Sheet	- 7 73.36	- 5 40.97
	Transferred from Statement of profit and loss	1 18.45	- 2 17.06
	Less: Write down of carrying amount of assets whose remaining useful lives is Nil as per Schedule II of Companies Act, 2013 (Net of Deferred Tax)	0.00	- 15.32
		<u>- 6 54.91</u>	<u>- 7 73.35</u>
	GRAND TOTAL	<u>7 55.59</u>	<u>6 37.15</u>
3	LONG TERM BORROWINGS		
	TERM LOANS		
	From Banks - Secured	25 41.09	26 13.91
	Canara Bank	3 61.31	7 06.31
	State Bank of Patiala	96.88	2 43.75
	Indian Overseas Bank	12 74.38	5 79.00
	Oriental Bank of Commerce	1 70.09	3 90.41
	State Bank of India	6 38.43	6 94.45
	Long Term maturities of finance lease obligations (secured by vehicles on HP loan)	1.67	-
	GRAND TOTAL	<u>25 42.76</u>	<u>26 13.91</u>

SECURITY CLAUSE

Term loans from Canara Bank [outstanding Rs 361.31 lakhs], Oriental Bank of Commerce [outstanding Rs 170.09 lakhs], State Bank of Patiala [outstanding Rs 96.88 lakhs] are secured by equitable mortgage of leasehold rights of 32.825 acres of land at SIPCOT Industrial Growth Centre, Perundurai together with buildings and hypothecation of all plant and machinery situated thereon on pari passu first charge basis, second pari passu charge on machinery and equipments purchased for the Effluent Treatment Project & Expansion Scheme and second charge on the entire current assets.

Term loan from Indian Overseas Bank [outstanding Rs 25.78 lakhs] is secured by equitable mortgage of leasehold rights of 32.825 acres of land at SIPCOT Industrial Growth Centre, Perundurai together with buildings and hypothecation of all plant and machinery situated thereon on pari passu first charge basis and second pari passu charge on machinery and equipments purchased for the Effluent Treatment Project & Expansion Scheme.

Corporate loan from Indian Overseas Bank [outstanding Rs 932.00 lakhs] is secured by an exclusive charge on one acre of land at Trichy Road, Coimbatore by way of equitable mortgage besides the corporate guarantee of associate company viz, Sri Kannapiran Mills Limited

Term loan from State Bank of India [outstanding Rs 638.43 lakhs] is secured by first charge on machinery and equipment purchased out of the loan for the Effluent Treatment Project & Expansion Scheme, equitable mortgage of leasehold rights of 32.825 acres of land at SIPCOT Industrial Growth Centre, Perundurai together with buildings and hypothecation of all plant and machinery situated thereon on pari passu second charge basis and second pari passu charge on the entire current assets.

Term loan of Canara Bank Rs 361.31 lakhs [PY Rs 706 lakhs] is repayable in 4 quarterly installments ending by September 2017. Rate of interest 10% p.a as at year end [PY 10% p.a.]

Term loans of Oriental Bank of Commerce – Term Loan Rs 133.50 lakhs and Term Loan 2 Rs 36.59 lakhs [PY Rs 306 lakhs and Rs 84 lakhs respectively] are repayable in 12 monthly installments ending by March 2018. Rate of interest 11.70% p.a as at year end [PY 12.25% p.a.]

Term loan of State Bank of Patiala Rs 96.88 lakhs [PY Rs 244 lakhs] is repayable in 3 quarterly installments ending by Dec 2017. Rate of interest 16.25% p.a. as at year end [PY 14.50% p.a.]

Indian Overseas Bank has three Term loans - (a) Term loan of Rs 25.78 lakhs [PY Rs 62 lakhs] is repayable in 5 monthly installments ending by August 2017. Rate of interest 13.95% p.a. as at year end [PY 14.50% p.a.] (b) Corporate Loan of Rs 316.60 lakhs [PY Rs 517 lakhs] is repayable in 19 monthly installments ending by October 2018. Rate of interest 13.95% p.a. at year [PY 13.75% p.a.] (c) Corporate Loan of Rs 932 lakhs is repayable in 42 monthly installments ending by Sep 2020. Interest rate is 13.70% p.a.

Term loan of State Bank of India Rs 638.43 lakhs [PY Rs 694 lakhs] is repayable in 36 monthly installments ending by October 2019. Rate of interest 12.95% p.a. as at year end [PY 15.15% p.a.]

There is no delay in payment of term loan dues and interest payment as on 31.3.16

Mr KG Baalakrishnan, Chairman of the Company, has given personal guarantee to all the Banks for the term loan and working capital facilities. The aggregate value of personal guarantee as on 31.03.2016 was Rs 12304 lakhs [PY Rs 11450 lakhs].



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2016
(` in Lakhs)

NOTE NO	PARTICULARS	31.03.2016	31.03.2015
4	DEFERRED TAX LIABILITIES (NET)		
	Deferred Tax Liabilities		
	on account of Depreciation	8 07.28	8 17.76
	Deferred Tax Assets		
	on account of unabsorbed depreciation		
	and business loss	9 36.71	9 68.63
	on account of Gratuity	14.23	13.16
		9 50.94	9 81.79
	DEFERRED TAX LIABILITIES / (-) ASSET (NET)	- 1 43.66	- 1 64.03
5	OTHER LONG-TERM LIABILITIES:		
	Trade Payables		
	Unsecured Deposits	57.84	94.24
		57.84	94.24
6	LONG-TERM PROVISIONS:		
	Provision for Gratuity (Unfunded)	43.53	40.42
		43.53	40.42
7	CURRENT LIABILITIES		
	SHORT-TERM BORROWINGS:		
	From Banks – secured & repayable on demand	30 52.78	30 95.21
	Canara Bank	8 13.92	8 30.13
	State Bank of Patiala	13 32.94	13 48.63
	Oriental Bank of Commerce	9 05.92	9 16.45
		30 52.78	30 95.21

Working capital loans from Canara Bank, Oriental Bank of Commerce and State Bank of Patiala are secured by a first pari passu charge by way of hypothecation of entire current assets and further secured by a second pari passu charge on all the fixed assets at SIPCOT Industrial Growth Centre, Perundurai. The entire working capital facilities are also guaranteed by Mr KG Baalakrishnan.

Vehicle loans from ICICI Bank Ltd are secured by way of hypothecation of respective vehicles.

There is no case of default as on the balance sheet date in repayment of loans and interest



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2016
(in Lakhs)

NOTE NO	PARTICULARS	31.03.2016	31.03.2015
8	TRADE PAYABLES		
	Due to Micro, Small & Medium Enterprises	NIL	NIL
	Others	24 35.06	28 95.99
		24 35.06	28 95.99
9	OTHER CURRENT LIABILITIES		
	Current maturities of long term debts - Secured*	13 19.50	13 10.11
	Current maturities of finance lease obligations	3.49	0.00
	Interest accrued but not due on borrowings	42.01	1 24.09
	Advance from Customers	12.95	15.91
	Other Payables	12 40.77	10 58.77
		26 18.72	25 08.88
10	SHORT-TERM PROVISIONS		
	Provision for Income Tax	0.00	0.00
	Provision for Gratuity	2.49	2.17
		2.49	2.17

*Refer Note No.3



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2016

(in Lakhs)

NOTE NO	PARTICULARS	31.03.2016	31.03.2015
11. FIXED ASSETS			
TANGIBLE ASSETS			
GROSS BLOCK			
	ASSETS	OPENING	ADDITION
		DEDUCTION	TOTAL
1.	Land *	17 12.29	--
2.	Buildings	21 56.47	77.93
3.	Plant & Machinery	51 33.38	1 04.86
4.	Electrical Machinery	7 62.99	11.87
5.	Office Equipments	64.19	--
6.	Furniture & Fixtures	21.94	8.08
7.	Vehicles	14.14	9.36
8.	Weighing Scales	20.25	--
9.	Tools & Equipments	20.63	--
	TOTAL OF THIS YEAR	99 06.28	2 12.10
	TOTAL OF THE PREVIOUS YEAR	96 07.64	2 98.65
			4.20
			1 01 14.18
			--
			99 06.27
* The Gross Block value of Land includes revaluation of Rs.1392 Lakhs during the year 2007-08			
	DEPRECIATION BLOCK	OPENING	ADDITION
		DEDUCTION	TOTAL
1.	Buildings	5 34.08	62.31
2.	Plant & Machinery	19 30.44	1 96.90
3.	Electrical Machinery	4 34.70	68.31
4.	Office Equipments	58.98	0.30
5.	Furniture & Fixtures	17.14	2.05
6.	Vehicles	8.52	1.60
7.	Weighing Scales	19.09	0.11
8.	Tools & Equipments	19.60	0.00
	TOTAL OF THIS YEAR	30 22.55	3 31.58
	TOTAL OF THE PREVIOUS YEAR	26 32.15	3 67.69
			1.33
			33 52.79
			22.68
			30 22.54
	NET BLOCK	31.03.2016	31.03.2015
1.	Land	17 12.29	17 12.29
2.	Buildings	16 22.39	16 38.01
3.	Plant & Machinery	32 02.95	31 08.12
4.	Electrical Machinery	3 28.29	2 71.85
5.	Office Equipments	5.21	4.91
6.	Furniture & Fixtures	4.80	10.83
7.	Vehicles	5.62	13.30
8.	Weighing Scales	1.16	1.05
9.	Tools & Equipments	1.03	1.03
	TOTAL OF THIS YEAR	68 83.74	67 61.40
	TOTAL OF THE PREVIOUS YEAR	69 75.48	68 83.74



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2016
(` in Lakhs)

NOTE NO	PARTICULARS	31.03.2016	31.03.2015
12	NON CURRENT INVESTMENT:		
		Face Value	Numbers
		31.03.2016	31.03.2015
		Amount	Amount
		31.03.2016	31.03.2015
	Trade Investments - Unquoted		
	Sri Kannapiran Mills Ltd	10 10000	10000 1.00
	Gamma Green Power Ltd	10 315887	842371 31.59
	MMS Steel & Power Pvt Ltd	10 -	35750 0.00
	A R S Steel Pvt Ltd	275 -	130 0.00
	Cotton Sourcing Company Ltd	10 10000	10000 1.00
	iEnergy Wind Farm (Theni) Pvt Ltd	10 1008	328 0.10
	OPG Power Generation Pvt Ltd	11 25400	- 0.00
			36.48
			90.20
13	LONG TERM LOANS AND ADVANCES:		
	(Unsecured, considered good)		
	Security Deposits		10.01 10.01
	MAT Credit Entilement		3 12.12 3 12.12
		3 22.13	3 22.13
14	OTHER NON-CURRENT ASSETS		
	Duty Draw Back Receivables		9.52 6.94
		9.52	6.94
	CURRENT ASSETS		
15	INVENTORIES:		
	(At lower of Cost or Net realisable Value)		
	Raw Materials – Cotton and Yarn	7 94.60	6 07.04
	Raw Materials – Waste	3.58	8.51
	Work in progress	4 53.94	8 99.44
	Finished Goods	12 46.12	11 12.72
	Stock in Trade	40.00	40.00
	Stores & Chemicals	2 50.99	1 84.61
		27 89.23	28 52.31



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2016
(` in Lakhs)

NOTE NO	PARTICULARS	31.03.2016	31.03.2015
16	TRADE RECEIVABLES:		
	(Unsecured, considered good)		
	Debts outstanding for a period exceeding Six months from the due date	1 89.71	46.29
	Other debts	28 33.83	30 67.29
		30 23.54	31 13.58
17	CASH & CASH EQUIVALENTS :		
	(a) CASH ON HAND	7.67	6.17
	(b) BALANCE WITH BANKS		
	In Current Accounts	8.57	6.51
	Other Bank Balances		
	Deposits held as margin money	1 55.24	1 47.20
		1 71.48	1 59.88
18	SHORT TERM LOANS & ADVANCES:		
	(Unsecured considered good)		
	Advances recoverable in cash or in kind for the value to be received	1 23.92	1 83.70
	Prepaid Expenses	21.51	19.13
	Security Deposits	62.71	63.76
	Advance Tax (Net of Provisions thereof)	13.99	11.27
		2 22.12	2 77.86
19	OTHER CURRENT ASSETS:		
	TUF Subsidy Receivable	2 13.60	1 85.72
	MEIS Receivable	10.82	0.00
	Duty Drawback Receivable	15.80	42.60
		2 40.22	2 28.32



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2016
(` in Lakhs)

NOTE NO	PARTICULARS	31.03.2016	31.03.2015
20	REVENUE		
	SALE OF GOODS		
	Fabric	1 60 39.60	1 58 90.21
	Yarn	49.15	44.04
	Waste	77.80	69.77
	SALE OF SERVICES		
	Conversion Charges	1 21.52	5.04
	OTHER OPERATING REVENUES		
	Export Incentives	58.02	68.84
	Net Revenue from Operations	1 63 46.09	1 60 77.90
21	OTHER INCOME:		
	Interest Income	17.96	21.93
	Dividend Income	1.50	1.50
	Rent Receipts	0.00	2.41
	Foreign Exchange fluctuation gain	3.39	15.63
		22.85	41.47
22	COST OF MATERIALS CONSUMED:		
	Opening balance of Cotton, Waste Cotton Stock & Yarn	6 15.55	6 75.79
	ADD : Purchases Cotton, Waste Cotton & Yarn	67 28.07	72 98.77
		73 43.62	79 74.56
	Less: Sale of Raw material	-	-
	Less: Closing balance of Cotton, Waste Cotton Stock & Yarn	7 98.18	6 15.54
	Consumption of Materials	65 45.44	73 59.02



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2016
(` in Lakhs)

NOTE NO	PARTICULARS	31.03.2016	31.03.2015
23	CHANGES IN INVENTORIES		
	At the <i>beginning</i> of the accounting period		
	Finished Goods - Fabric	11 12.72	10 27.31
	Work-In-Progress	8 99.43	10 45.83
	Stock In Trade - Shares	40.00	28.40
		20 52.15	21 01.54
	At the <i>end</i> of the accounting period		
	Finished Goods - Fabric	12 46.12	11 12.72
	Work-In-Progress	4 53.94	8 99.43
	Stock In Trade - Shares	40.00	40.00
		17 40.06	20 52.15
	GRAND TOTAL	3 12.09	49.39
24	OTHER MANUFACTURING EXPENSES		
	Stores and Spares	79.70	77.89
	Power & Fuel	14 89.05	14 36.57
	Processing Charges	26 03.53	28 61.89
	Chemicals	14 15.17	13 38.91
	Repairs and Maintenance - Buildings	86.95	76.55
	Repairs and Maintenance - Machinery	3 68.77	2 73.11
		60 43.17	60 64.92
25	EMPLOYEE BENEFITS EXPENSES		
	Salary and Wages	8 16.26	6 73.00
	Director Remuneration	9.31	0.00
	Contribution to Provident Fund and Others	40.28	33.12
	Workers and Staff Welfare	46.88	40.44
		9 12.73	7 46.56
26	FINANCIAL COSTS:		
	a INTEREST EXPENSES		
	Interest on Term Loans	4 40.03	4 11.42
	Bank Charges	33.59	21.03
	b Other Borrowing Costs	7 27.58	7 53.30
		12 01.20	11 85.75
	DEPRECIATION AND AMORTIZATION EXPENSES		
	Depreciation	3 31.58	3 67.69
		3 31.58	3 67.69

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2016
(` in Lakhs)

NOTE NO	PARTICULARS	31.03.2016	31.03.2015
27	OTHER EXPENSES:		
	Taxes & Licenses	27.98	30.31
	Insurance	19.06	20.13
	Loss on Sale of Fixed Assets	2.00	0.00
	Repairs and Maintenance General	11.02	6.40
	Postage, Courier & Telephone Expenses	40.68	26.14
	Professional & Legal Charges	31.21	45.21
	Auditors Remuneration	1.39	1.21
	Printing & Stationery	11.99	7.35
	Freight Outwards	82.20	65.44
	Brokerage and Commission	3 21.67	3 26.80
	Selling Expenses	2 15.87	1 18.83
	Travelling Expenses & Maintenance of Vehicle	58.19	55.09
	Advertisement	7.79	0.31
	Miscellaneous Expenses	0.00	0.03
	TOTAL	8 31.05	7 03.25



NOTES FORMING PART OF ACCOUNTS

1. Estimated amount of contracts remaining to be executed on capital accounts not provided for as on 31.03.2016 is Rs. Nil (31.3.2015 : Rs. Nil).
2. Income-tax Assessment for the Assessment years 2014-15 and onwards is pending.
3. **RAW MATERIALS CONSUMPTION**

	31.03.2016	31.03.2015
Yarn in Kgs (lakhs)	49.78	51.55
Value in ` (lakhs)	6596.94	7359.02

4. **Value of Imports – CIF basis**

	31.03.2016	31.03.2015
		in lakhs
Raw Materials	47.89	21.40
Capital Goods	—	—
Chemicals	779.93	692.89
Machinery spares	76.93	51.95

5. Income earned in Foreign Currency - ` Rs. 861.22 Lakhs (P.Y.Rs 1354.45)
6. Expenditure incurred in Foreign Currency
Traveling Expenses – ` Rs. 6.42 Lakhs (P.Y. Rs. 14.04 Lakhs)

	31.03.2016 (Rs)	31.03.2015 (Rs)
7. Auditor Remuneration		
Statutory Audit Fees	79 800	79 800
Tax Audit Fees	11 400	11 400
Certification & Others	44 500	26 830
Traveling Expenses	3 000	3 000
	<u>1 38 700</u>	<u>1 21 030</u>

8. A) The Exchange Difference arising on account of foreign Currency fluctuation are :
 - i). Rs.Nil (P.Y. ` Rs.Nil) on account of exchange fluctuation in respect of forward contracts.
 - ii) Rs. 3 38 707 /- (P.Y. Rs.15 63 179 /-) on account of exchange fluctuation in respect of dealings in materials, stores and spares, chemicals.
9. Balance of certain Creditors, Debtors, Loans and Advances given are subject to confirmation and reconciliation, if any. However in the opinion of the management, there would not be any material impact on financial statements.

10. The segmental reporting as required under AS-17 issued by the ICAI is not applicable as the Company operates in only one segment, Textile.

11. Provision towards Excise Duty does not arise as the company has opted for Zero Duty.

12. Accounting Standard (AS) 18, Related Party Disclosures:

Name of the related Parties :

1. Key Management Personnel : Shri K G Baal Krishnan, Chairman
Shri A Velusamy, Whole Time Director

2. Other Related Parties

1. Sri Kannapiran Mills Ltd
2. K G Denim Ltd
3. Sri Balamurugan Textile Processing Ltd
4. RND Softech Pvt Ltd
5. Sri Karthikeya Spg & Wvg Mills Pvt Ltd

in lakhs

Particulars	Other Related Party		Key Management Personnel		Relatives of Key Management Personnel	
	2016	2015	2016	2015	2016	2015
Purchase of Goods						
- Sri Kannapiran Mills Ltd	58.06	19.03				
- K G Denim Limited	61.44	24.02				
- Sri Balamurugan Textile Processing Limited	0.04	0.01				
- Sri Karthikeya Spg & Wvg Mills P Ltd	0.40	0.09	—	—	—	—
Sale of Goods						
- Sri Kannapiran Mills Limited	16.18	11.27				
- K G Denim Limited	2.91	4.02				
- Sri Balamurugan Textile Processing Limited	0.24	0.00	—	—	—	—
Rendering of Services- Conversion charges (Receipt)						
- Sri Kannapiran Mills Limited	0.00	1.23				
- K G Denim Limited	119.14	3.81	—	—	—	—
Rendering of Services – Others (Paid)						
- RND Softech Pvt Limited	0.61	0.67	—	—	—	—
Rendering of Services - Conversion charges (paid)						
- Sri Kannapiran Mills Limited	2406.07	2550.83				
- K G Denim Limited	7.95	44.60				
- Sri Balamurugan Textile Processing Limited	1.08	0.71	—	—	—	—
Director Remuneration -						
- A Velusamy	—	—	9.31	—	—	—
Sitting Fees						
- KG Baal Krishnan	—	—	0.15	—	—	—



13. AS – 20 Earnings per share

	31.03.2016	31.03.2015
Net profit / (loss) after tax and adjustments	1 18 45 617	(2 17 07 044)
No. of equity shares	2 07 60 065	2 07 60 065
Earnings per share (Face value ` 10 each)	0.57	- 1.05

14. AS 22 – DEFERRED TAX LIABILITY

	Balance as on 01.04.2015 (`)	Adjustments made during the year (`)	Write down of carrying amount of assets whose remaining useful lives is Nil	Closing as on 31.03.2016 (`)
Deferred Tax Liability				
Depreciation	8 17 75 593	- 10 47 869	0	8 07 27 724
Total	8 17 75 593	- 10 47 869	0	8 07 27 724
Deferred Tax Asset				
Depreciation – Set off carry forward	9 68 62 735	- 31 91 419	0	9 36 71 316
Business Loss - Set off & Carry Forward				
Provision for Gratuity	13 15 962	1 06 543		14 22 505
Total	9 81 78 697	- 30 84 876	0	9 50 93 821
Net Deferred Tax (Asset) / Liability	-1 64 03 104	20 37 006	0	- 1 43 66 098

15. Employee Benefits

I. Principal Actuarial Assumptions	31.03.2016	31.03.2015
Discount Rate	8.00%	8.00%
Salary Escalation Rate	4.00%	4.00%
Attrition Rate	1.00%	4.00%
Expected Rate of Return on Plan Assets	0.00%	0.00%

II. Changes in the present value of the obligation (PVO) - Reconciliation of Opening and Closing Balances	(` in thousands) Gratuity (unfunded)	
PVO as at the beginning of the period	4259	3564
Interest Cost	341	324
Current Service Cost	545	662
Past Service Cost – (Non Vested Benefits)	0	0
Past Service Cost – (Vested Benefits)	0	0
Benefits Paid	-868	-224
Actuarial loss / (gain) on obligation (balancing figure)	327	68
PVO as at the end of the period	4604	4259

III. Changes in the fair value of plan assets – Reconciliation of opening and closing balances		
Fair value of the plan assets as at the beginning of the period	0	0
Expected return on plan assets	0	0
Contributions	868	224
Benefits paid	-868	-224
Actuarial gain / (loss) on plan assets (balancing figure)	0	0
Fair value of plan assets as at the end of the period	0	0
IV. Actual return on plan assets		
Expected return on plan assets	0	0
Actuarial gain / (loss) on plan assets	0	0
Actual return on plan assets	0	0
V. Actuarial gain / loss recognized		
Actuarial gain/(loss) for the period – Obligation	327	68
Actuarial gain / (loss) on plan assets	0	0
Total (gain) / Loss for the period	327	68
Actuarial (gain) / loss recognised in the period	-327	-68
Unrecognised actuarial (gain) / loss at the end of the year	0	0
VI. Amounts recognised in the balance sheet and related analysis		
Present value of the obligation	4259	4259
Fair value of plan assets	0	0
Difference	4259	4259
Unrecognised transitional liability	0	0
Unrecognised past service cost – non vested benefits	0	0
Liability recognised in the balance sheet	4259	4259
VII. Expenses recognised in the statement of profit and loss		
Current service cost	545	662
Interest Cost	341	324
Expected return on plan assets	0	0
Net actuarial (gain)/loss recognised in the year	327	-68
Transitional Liability recognised in the year	0	0
Past service cost – non-vested benefits	0	0
Past service cost – vested benefits	0	0
Expenses recognised in the statement of profit and loss	919	919
VIII. Movements in the liability recognised in the balance sheet		
Opening net liability	4259	3564
Expense as above	1212	919
Contribution paid	-868	-224
Closing net liability	4603	4259

**IX. Amount for the current period**

Present Value of obligation	4603	4259
Plan assets	0	0
Surplus (Deficit)	-4603	-4259
Experience adjustments on plan liabilities – (loss)/gain	-327	-457
Experience adjustments on plan assets – (loss)/gain	0	0

X. Major categories of plan assets (As percentage of total plan assets)

Government of India Securities	0.00%	0.00%
State Government Securities	0.00%	0.00%
High Quality Corporate Bonds	0.00%	0.00%
Equity shares of listed companies	0.00%	0.00%
Property	0.00%	0.00%
Special Deposit Scheme	0.00%	0.00%
Funds managed by Insurer	0.00%	0.00%
Others (to specify)	0.00%	0.00%
Total	0.00%	0.00%

XI. Enterprise's Best Estimate of Contribution during next Year 0 0

Note :

- (i) The salary escalation considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- (ii) Gratuity is based on last drawn basic salary. The Scheme takes into account each completed year of service or part thereof in excess of six months.

16. The figures are rounded off to the nearest lakh rupee.

As per our report of even dated

C A Venkatesan
Chartered Accountant
M.No. 19753
Coimbatore
25th June 2016

KG Baalakrishnan
Chairman
(DIN 00002174)
C N Gayathri Narayanan
Chief Financial Officer

A Velusamy
Wholtime Director
(DIN 00002204)
G. Sasikumar
Company Secretary



KG Fabriks Limited

CIN : U65999TZ1994PLC005630

Registered Office : Plot No. FF - 1, SIPCOT IGC, Perundurai - 638 052

Ph: 0422 - 3019291 Fax: 0422 - 3019110 Email:csd@kgfabriks.com, www.kgfabriks.com

POSTAL BALLOT FORM (in lieu of e-Voting)

Sl.No:

(Read the instructions given in the notice of AGM before proceeding to fill up the form)

1 Name(s) of shareholder(s) (including joint holders, if any) in block letters :	:	
2 Registered Address of the sole/ first named shareholder	:	
3 Registered Folio No.	:	
4 Number of Shares held	:	

I / We hereby exercise my / our vote in respect of the "**Resolution**" for the business stated in the **Annual General Meeting Notice** of the Company dated 26th September, 2016 by sending my/our assent (for) or dissent (against) to the said resolution by placing the tick mark (✓) at the appropriate box below:

Description	Type of Resolution	I/We assent to the Resolution	I/We dissent to the Resolution
		For	Against
1. Consider and adopt audited Financial Statements, Reports of the Board of Directors and Auditors	Ordinary		
2. Re-appointment of Shri R Selvakumar who retires by rotation, as a Director	Ordinary		
3. Appointment of M/s Gopalaiyer and Subramanian, Chartered Accountants as Statutory Auditors	Ordinary		
4. Ratification of Remuneration to Cost Auditor	Special		

Place :

Date :

(Signature of Shareholder)



KG Fabriks Limited

ATTENDANCE SLIP

CIN : U65999TZ1994PLC005630

Registered Office : Plot No. FF - 1, SIPCOT IGC, Perundurai - 638 052

Ph: 0422 - 3019291 Fax: 0422 - 3019110 Email:csd@kgfabriks.com, www.kgfabriks.com

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL. ONLY MEMBERS OR THEIR PROXIES ARE ENTITLED TO BE PRESENT AT THE MEETING.

Name of the attending Members :

Folio No. :

No. of Shares held :

I hereby record my presence at the 22nd ANNUAL GENERAL MEETING of the Company on Monday, the 26th September 2016 at 3.45 p.m.

Name of Proxy in Block Letters

Signature of the Shareholder/Proxy*

**Strike out whichever is not applicable*

Please see address slip for details of Folio No. & No. of Shares

MGT - 11



KG Fabriks Limited

PROXY FORM

CIN : U65999TZ1994PLC005630

Registered Office : Plot No. FF - 1, SIPCOT IGC, Perundurai - 638 052

Ph: 0422 - 3019291 Fax: 0422 - 3019110 Email:csd@kgfabriks.com, www.kgfabriks.com

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s) :

Registered Address :

E-mail ID :

Folio No. :

I/We being the member(s) of.....shares of the above named Company, hereby appoint:

(1) Name Address

E-mail Id Signatureor failing him/her

(2) Name Address

E-mail Id Signatureor failing him/her

(3) Name Address

E-mail Id Signatureor failing him/her

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 22nd Annual General Meeting of the Company, to be held on Monday, the 26th day of September, 2016 at 3.45 p.m. at Registered Office, Plot No.FF-1, SIPCOT IGC, Perundurai. and at any adjournment thereof.

Signed this.....day of.....2016

Signature of Shareholder(s).....

Signature of Proxyholder(s).....

Re. 1/-
Revenue
Stamp

Notes: 1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office the Company, not less than 48 hours before the commencement of the Meeting.

2. In the case of a Corporation, the proxy form shall be either given under the Common Seal signed on its behalf by an Attorney or Officer of the Corporation.

Description	Type of Resolution	I/We assent to the Resolution	I/We dissent to the Resolution
		For	Against
1. Consider and adopt audited Financial Statements, Reports of the Board of Directors and Auditors	Ordinary		
2. Re-appointment of Shri R Selvakumar who retires by rotation, as a Director	Ordinary		
3. Appointment of M/s Gopalaiyer and Subramanian, Chartered Accountants as Statutory Auditors	Ordinary		
4. Ratification of Remuneration to Cost Auditor	Special		