

# **Quantum KNITS PVT. LIMITED**

**FOURTH ANNUAL REPORT 2012 - 13**

## **BOARD OF DIRECTORS**

Sri. K.P. Ramasamy, Chairman

Sri. KPD Sigamani, Managing Director

Sri. P. Nataraj

Sri. A. Sekar

## **STATUTORY AUDITORS**

M/s. DELOITTE HASKINS & SELLS

Chartered Accountants

41, Shanmuga Manram

Race Course

Coimbatore - 641 018.

## **BANKERS**

Oriental Bank of Commerce

IDBI Bank Limited

Corporation Bank

## **REGISTERED OFFICE**

SF. NO. 181, Kollupalayam

Arasur

Coimbatore - 641 407.

CERTIFIED TRUE COPY OF BALANCE SHEET AND CONNECTED DOCUMENTS DULY AUTHENTICATED BY THE BOARD OF DIRECTORS OF THE COMPANY AND ADOPTED AT THE 4<sup>th</sup> ANNUAL GENERAL MEETING OF THE COMPANY HELD TUESDAY THE 27<sup>TH</sup> DAY OF AUGUST, 2013 AT 10.00 A.M. AT THE REGISTERED OFFICE OF THE COMPANY AT NO.5, THADAGAM ROAD, COIMBATORE - 641 001."

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“CERTIFIED TRUE COPY OF STATEMENT OF PROFIT AND LOSS AND CONNECTED DOCUMENTS DULY AUTHENTICATED BY THE BOARD OF DIRECTORS OF THE COMPANY AND ADOPTED AT THE 4<sup>th</sup> ANNUAL GENERAL MEETING OF THE COMPANY HELD TUESDAY THE 27<sup>TH</sup> DAY OF AUGUST, 2013 AT 10.00 A.M. AT THE REGISTERED OFFICE OF THE COMPANY AT NO.5, THADAGAM ROAD, COIMBATORE - 641 001.”

# Quantum KNITS PVT. LIMITED

## NOTICE

Notice is hereby given that the Fourth Annual General Meeting of Quantum KNITS PVT. LIMITED will be held on Tuesday the 27<sup>th</sup> August, 2013 at SF. No.181, Kollupalayam, Arasur, Coimbatore - 641 407 at 10.00 a.m. to transact the following business:

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## **AGENDA**

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2013 and the Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To Appoint Auditor and to fix their remuneration.
3. To appoint a Director in the place of Sri.P.Nataraj who retires by rotation and being eligible, offers himself for re-appointment.

**BY THE ORDER OF THE BOARD**

Coimbatore  
16.05.2013

K.P.Ramasamy  
Chairman

### **Note:**

**A Member entitled to attend and vote at the Meeting is entitled to appoint one or more Proxy (ies) to attend and vote instead of himself and a Proxy need not be a Member of the Company. Proxies in order to be effective must be received at the Company's Registered Office not later than 48 hours before the commencement of the Meeting.**

# Quantum KNITS PVT. LIMITED

## DIRECTORS' REPORT

### LADIES/GENTLEMEN,

Your Directors have great pleasure in presenting their Fourth Annual Report of the Company together with the Audited Accounts for the year ended 31.03.2013.

### CONSOLIDATED FINANCIAL RESULTS

Rs. In  
Lakhs

Particulars	2012-13	2011-12
<b>Sales and Other Income:-</b>		
Domestic Sales	567.84	899.27
Export Sales	16231.56	19636.77
Other Income	1625.19	2049.22
	<b>18,424.59</b>	<b>22,585.26</b>
<b>Profit before Interest &amp; Depreciation</b>	<b>685.86</b>	<b>300.45</b>
Less : Interest	484.77	113.19
Depreciation		
<b>Profit Before Tax</b>	<b>201.09</b>	<b>187.26</b>
Less : Taxation:-		
Provision for Current Tax	49.19	31.22
<b>Profit After Tax</b>	<b>151.90</b>	<b>156.04</b>

### REVIEW OF OPERATIONS

Due to continued sluggish economy at E.U and U.S., the major importing countries, 2012 was a challenging year for the Apparel Industry as a whole. Though the Industry's exports grew marginally in rupee terms, (thanks to depreciation of the rupee against the dollar), in volume terms there was no increase. However against all odds, your Company could record a considerable level of performance with an accelerated margin.

### FUTURE PROSPECTS

Tirupur, the knitwear and readymade garment capital of India, which has been trailing under ETP issue, is gradually recovering from its impact with the measures initiated by the Industry. The revival in demand from traditional markets like Europe and the US coupled with expected additional orders from newer markets such as Africa, Russia and Israel, will augur well for the Apparel Industry. Mounting competition from Bangladesh and China is a cause of concern, but India still holds for its quality, prompt supply and services.

**DIVIDEND:**

The Board has not recommended any Dividend.

**FIXED DEPOSITS:**

The Company has not accepted any Fixed Deposits from Public during the period under review.

**DIRECTORS:**

Sri.P.Nataraj retires from the Board on rotation and is eligible for re-appointment at the ensuing Annual General Meeting.

**FINANCE:**

The continued support from the Bankers enabled smooth working capital flow.

**PARTICULARS OF EMPLOYEES:**

There are no employees, in respect of whom information pursuant to the requirement of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particular of Employees Rules) 1975 as amended is to be given.

**DIRECTORS RESPONSIBILITY STATEMENT:**

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

- i. In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii. The Directors have selected accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for the year under review.
- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting record in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The Directors have arranged preparation of the accounts for the financial year ended March 31, 2013 on a going concern basis.

**AUDITORS:**

M/s. Deloitte Haskins & Sells, Chartered Accountant, Coimbatore the Statutory Auditors of the Company retires at the ensuing Annual General Meeting and is eligible for re-appointment. A Certificate under Section 224(1B) of the Companies Act 1956 has been obtained from them.

**COMPLIANCE CERTIFICATE:**

Pursuant to proviso to Section 383A (1) of the Companies Act, 1956 Compliance Certificate obtained from Mr. K.V. Murugan, Practicing Company Secretary is annexed herewith.

**INDUSTRIAL RELATIONS:**

The relationship with employees continued to remain cordial throughout the period of Operations.

**ACKNOWLEDGEMENT:**

Your Directors thank the employees at all levels for their co-operation and dedication and the Bankers for their support.

**BY THE ORDER OF THE BOARD**

Coimbatore  
16.05.2013

K.P.Ramasamy  
Chairman

A) CONSERVATION OF ENERGY

a) ENERGY CONSERVATION MEASURES TAKEN

FORM A – PARTICULARS IN RESPECT OF ENERGY CONSERVATION

I) POWER AND FUEL CONSUMPTION

II)

Particulars	Units	2012-13	2011-12
1.Power & Fuel Consumption			
(A) Electricity			
i) Purchase of Units	Lakh Units	43.80	42.45
ii) Total Amount	Rs.Lakhs	286.88	229.85
iii) Rate per unit (Average)	Rs.	6.54	5.41
(B) Own Generation			
i) Through Diesel Generator			
Units generated	Units in Lakhs		
Cost/Unit	Rs.		
Units/Litre of Diesel	Units	NIL	NIL
ii) Through Wind Mill			
Units generated	Units in lakhs	NIL	NIL
iii) Through Steam turbine Units			
Coal/Furnace Oil/Others	Units	NIL	NIL
2.Consumption per unit of Production			
Production of Garment	Pieces	1,81,87,631	1,57,80,049
Electricity / Piece of Garment			
Production	Units	0.24	0.27

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. In Lakhs)

Particulars		2012-13	2011-12
i) Foreign Exchange earned through Exports amount to	Rs.	16,210.96	20,305.00
ii) Foreign Exchange used	Rs.	555.62	91.09

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
QUANTUM KNITS PRIVATE LIMITED**

**Report on the Financial Statements**

We have audited the accompanying financial statements of **QUANTUM KNITS PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March , 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation 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 Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, 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.



## **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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

## **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as 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 Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
  - (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

**For Deloitte Haskins & Sells**  
*Chartered Accountants*  
Registration No.008072S

**C R Rajagopal**  
*Partner*  
M.No. 23418

Coimbatore, May 16, 2013

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Having regard to the nature of the Company's business/activities/result for the period, iii(a) to (d), (f), (g), clauses (iv) in so far as it relates to fixed assets, xii, xiii, xiv, xix, xx of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (CARO) are not applicable.

- (i) The Company does not own any fixed assets. Therefore, the provisions of clause (i) of the order are not applicable to the company.
- (ii) In respect of its inventories:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and sale of goods and services and during the course of our audit we have not observed any continuing failure to correct major weaknesses in such internal control system.
- (v) In our opinion and according to the information and explanations given to us, there has been no transactions in respect of contracts or arrangements to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year. Therefore the provision of Clause (vi) of the CARO are not applicable to the company.
- (vii) In our opinion, the internal audit functions carried out during the year by an Independent Chartered Accountant appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, *prima facie*, the prescribed 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.

(ix) According to the information and explanations given to us, in respect of statutory dues:

- (a) The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31<sup>st</sup> March, 2013 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31<sup>st</sup> March, 2013 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Year to which the amount relates	Amount involved (Rs. in Lakhs)
Income Tax Act, 1961	Income Tax	CIT (A)- II	2010-11	243

- (x) The Company does not have accumulated losses and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- (xii) In our opinion and according to the information and explanations given to us, the company has not given guarantees for loans taken by others from banks and financial institutions.
- (xiii) In our opinion and according to the information and explanations given to us, the company has no term loans and therefore question of utilisation does not arise.
- (xiv) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, not been used during the year for long-term investment.

- (xv) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xvi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**  
*Chartered Accountants*  
Registration No.008072S

**C R Rajagopal**  
*Partner*  
M.No. 23418

**Coimbatore, May 16, 2013**

**QUANTUM KNITS PVT. LIMITED**  
**BALANCE SHEET AS AT 31.03.2013**

	Note	As at 31.03.2013	As at 31.03.2012
		(₹ in Lakhs)	
<b>A EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
(a) Share Capital	3	10	10
(b) Reserves and Surplus	4	428	277
		438	287
<b>2 Current Liabilities</b>			
(a) Short-Term Borrowings	5	5,519	5,244
(b) Trade Payables	6	2,331	1,305
(c) Other Current Liabilities	7	67	34
(d) Short-Term Provisions	8	-	4
		7,917	6,587
		8,355	6,874
<b>B ASSETS</b>			
<b>1 Non-Current Assets</b>			
(a) Long-Term Loans and Advances	9	2	-
		2	-
<b>2 Current Assets</b>			
(a) Inventories	10	3,407	1,827
(b) Trade Receivables	11	3,223	3,272
(c) Cash and Cash Equivalents	12	662	313
(d) Short-Term Loans and Advances	13	260	194
(e) Other Current Assets	14	801	1,268
		8,353	6,874
		8,355	6,874
Accompanying notes form part of the financial statements			

For and on behalf of the Board

"In terms of our report of even date"  
For Deloitte Haskins & Sells  
Chartered Accountants

K.P.Ramasamy  
Chairman

KPD Sigamani  
Managing Director

P.Nataraj  
Director

C.R. Rajagopal  
Partner

Coimbatore  
16.05.2013

Coimbatore  
16.05.2013

**QUANTUM KNITS PVT. LIMITED**  
**STATEMENT OF PROFIT AND LOSS**  
**FOR THE YEAR ENDED 31.03.2013**

	Note	Year Ended	
		31.03.2013	31.03.2012
		(₹ in Lakhs)	
<b>I. Revenue from Operations</b>	15	<b>18,426</b>	<b>22,562</b>
Less: Excise Duty		-	-
<b>Revenue from Operations (Net)</b>		<b>18,426</b>	<b>22,562</b>
II. Other Income	16	0	23
<b>III. Total Revenue</b>		<b>18,426</b>	<b>22,585</b>
<b>IV. Expenses</b>			
Cost of Materials Consumed	17	10,716	9,929
Changes in Inventories of Finished Goods, Work- in-Progress and Stock in Trade	18	(855)	990
Employee Benefits Expenses	19	2,657	2,065
Finance Costs	20	485	113
Other Expenses	21	5,222	9,301
<b>Total Expenses</b>		<b>18,225</b>	<b>22,398</b>
V. Profit Before Tax		201	187
Tax Expense			
1. Current Tax Expense for Current Year		65	58
2. Less: MAT Credit Entitlement		3	8
3. Current Tax Expense relating to Prior Years		(12)	(19)
4. Deferred Tax		-	-
Net Tax Expenses		50	31
VI. Profit for the year		<b>151</b>	<b>156</b>
VII. Earnings per equity share of Rs 10 each			
1. Basic & Diluted (in Rs)		151	156

Accompanying notes form part of the financial statements

For and on behalf of the Board

"In terms of our report of even date"

For Deloitte Haskins & Sells  
Chartered Accountants

K.P.Ramasamy  
Chairman

KPD Sigamani  
Managing Director

P.Nataraj  
Director

C.R. Rajagopal  
Partner

Coimbatore  
16.05.2013

Coimbatore  
16.05.2013

**QUANTUM KNITS PVT. LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2013**

(₹ in Lakhs)

PARTICULARS		Year Ended 31.03.2013	Year Ended 31.03.2012
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit Before Tax		201	187
Finance Costs		485	113
Interest Income		(1)	(1)
<b>Operating profit before Working Capital adjustments</b>		<b>685</b>	<b>299</b>
(Increase) / Decrease in Sundry Debtors		49	(436)
(Increase) / Decrease in Loans and Advances		(66)	293
(Increase) / Decrease in Inventories		(1,580)	929
(Increase) / Decrease in Other Current Assets		467	(1,041)
Increase / (Decrease) in Current Liabilities		1,333	27
Bank Balance not considered as Cash and Cash Equivalents			
(i) Margin deposit account		2	(2)
<b>Cash Generated from Operations</b>		<b>890</b>	<b>69</b>
Net Income Tax (Paid) / Refunds		(55)	(43)
<b>Net Cash from Operating Activities</b>	<b>(A)</b>	<b>835</b>	<b>26</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest Receipts		1	1
<b>Net Cash flow used in Investing Activities</b>	<b>(B)</b>	<b>1</b>	<b>1</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Finance Costs		(485)	(113)
<b>Net Cash used in Financing Activities</b>	<b>(C)</b>	<b>(485)</b>	<b>(113)</b>
Net Increase in Cash and Cash Equivalents	<b>(A+B+C)</b>	351	(86)
Opening Balance of Cash and Cash Equivalents		311	397
<b>Cash and Cash Equivalents at the end of the year</b>		<b>662</b>	<b>311</b>
Reconciliation of Cash and cash equivalents with the Balance Sheet:			
Cash and cash equivalents (Refer Note 12)		662	313
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements			
- Balances held as margin money or security against borrowings, guarantees and other commitments		-	2
<b>Cash and cash equivalents at the end of the year</b>		<b>662</b>	<b>311</b>

For and on behalf of the Board

"In terms of our report of even date"

For Deloitte Haskins & Sells

Chartered Accountants

K.P.Ramasamy  
Chairman

C.R. Rajagopal  
Partner

KPD Sigamani  
Managing Director

P.Nataraj  
Director

Coimbatore  
16.05.2013

Coimbatore  
16.05.2013

## **1 Company Overview**

Quantum Knits Pvt. Limited is the Wholly owned Subsidiary Company of K.P.R.Mill Limited. It is one of the largest apparel manufacturing Companies in India. The Company produces Readymade Garments. The Company has state-of-the-art production facilities in the State of Tamil Nadu, India. It is incorporated under the provisions of the Companies Act, 1956.

## **2 Significant Accounting Policies**

### **A) BASIS OF ACCOUNTING**

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

(ii) The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

### **B) USE OF ESTIMATES**

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

### **C) INVENTORIES**

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

### **D) CASH FLOW STATEMENT**

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

#### **Cash and cash equivalents (for purposes of Cash Flow Statement)**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### **E) REVENUE RECOGNITION**

Sales includes sale of products and waste. Revenue from sale of products and waste are recognized when the property in goods are transferred.

### **F) FOREIGN EXCHANGE TRANSACTIONS**

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

Exchange differences on translation or settlement of long term foreign currency monetary items (i.e. whose term of settlement is twelve months or above from date of its origination) at rates different from those at which they were initially recorded or reported in the previous financial statements, insofar as it relates to acquisition of depreciable assets are adjusted to the cost of the assets. In other cases, these are accumulated in "Foreign currency monetary item translation difference account" and amortised by recognition as income or expense in each period over the balance term of such items till settlement occurs but not beyond March 31, 2020

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

### **G) RETIREMENT BENEFITS**

#### **(a) Short Term**

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

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

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



i) Provident Fund

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

ii) Gratuity Fund

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

iii) Leave encashment

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

H) SEGMENT REPORTING

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

I) EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

J) TAXATION

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

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

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

K) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes on accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

L) OPERATING CYCLE

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

**QUANTUM KNITS PVT. LIMITED**

**Notes forming part of the Financial Statements**

		As at 31.03.2013	As at 31.03.2012
		(₹ in Lakhs)	
<b>3 SHARE CAPITAL</b>			
<b>Authorised Share Capital</b>			
1,00,000 (Pr.Yr 1,00,000) Equity Shares of ₹10 each		10	10
		10	10
<b>Issued, Subscribed &amp; Paid up Capital</b>			
1,00,000 (Pr.Yr 1,00,000) Equity Shares of ₹10 each fully paid-up		10	10
		<b>10</b>	<b>10</b>
<b>3.1</b>	1,00,000 Equity shares of Rs. 10 each was issued on 03 June 2009 and which was fully subscribed and Paid-up by K.P.R. Mill Limited and its nominees.		
<b>3.2</b>	<b>Equity Shares:</b> As per the provisions of the Companies Act,1956 and Articles of Association of the Company.		
<b>3.3</b>	<b>Reconciliation of the Shares outstanding at the beginning and at the end of the reporting period</b>		
		As at 31 March, 2013	
		As at 31 March, 2012	
<b>Equity Shares</b>			
		Number of Shares	(₹ in Lakhs)
		Number of Shares	(₹ in Lakhs)
At the beginning of the period		1,00,000	10
Changes during the year		-	-
Outstanding at the end of the period		1,00,000	10
<b>3.4</b>	<b>Details of Shares held by Holding Company</b>		
		Number of Shares	%
		Number of Shares	%
M/s K P R Mill Limited		1,00,000	100%
<b>3.5</b>	<b>Details of Shareholders holding more than 5% shares in the company</b>		
		Number of Shares	%
		Number of Shares	%
M/s K P R Mill Limited		1,00,000	100%
<b>4 RESERVES AND SURPLUS</b>			
<b>General Reserve</b>			
Opening Balance		3	3
Closing Balance		3	3
<b>Surplus in Statement of Profit and Loss</b>			
Opening Balance		274	118
Add: Profit for the year		151	156
Closing Balance		<b>425</b>	<b>274</b>
		<b>428</b>	<b>277</b>

		As at 31.03.2013	As at 31.03.2012
		(₹ in Lakhs)	
<b>5</b>	<b><u>SHORT TERM BORROWINGS</u></b>		
	<b><u>From Banks Secured</u></b>		
	Packing Credit	5,519	5,244
		<b>5,519</b>	<b>5,244</b>
5.1	For Working capital loan, the first charge has been given to the respective lenders by way of hypothecation of inventories and book debts. The Holding Company issued a Corporate Guarantee amounting to Rs 15,000 Lakhs (Pr Yr Rs 11,500 Lakhs) towards working capital facility.		
5.2	The Company has not defaulted in its repayments of the loans and interest.		
<b>6</b>	<b><u>TRADE PAYABLES</u></b>		
	(Refer Note 24)		
	Other than Acceptance	2,331	1,305
		<b>2,331</b>	<b>1,305</b>
<b>7</b>	<b><u>OTHER CURRENT LIABILITIES</u></b>		
	<b><u>Current Maturities of</u></b>		
	Advance from Customers	14	-
	Other Liabilities #	53	34
		<b>67</b>	<b>34</b>
	# Includes Statutory dues.		
<b>8</b>	<b><u>SHORT TERM PROVISIONS</u></b>		
	Provision for Income Tax (Net of Advance Tax Paid) *	-	4
		-	4
	* Net of Advance Tax Paid Rs Nil (Pr Yr Rs 53 Lakhs)		
<b>9</b>	<b><u>LONG TERM LOANS AND ADVANCES</u></b>		
	Advance Tax	2	-
		<b>2</b>	<b>-</b>
	* Net of Provision for Income Tax Rs 61 Lakhs (Pr Yr Rs Nil)		
<b>10</b>	<b><u>INVENTORIES</u></b>		
	Raw Materials	1,402	825
	Stock-in-process	147	37
	Finished Goods	1,544	799
	Stores, Spares, Packing & Others	314	166
		<b>3,407</b>	<b>1,827</b>
<b>11</b>	<b><u>TRADE RECEIVABLES</u></b>		
	<b><u>Unsecured and Considered good</u></b>		
	Over six months from the payment due date	-	-
	Others	3,223	3,272
		<b>3,223</b>	<b>3,272</b>
<b>12</b>	<b><u>CASH AND CASH EQUIVALENTS</u></b>		
	(a) Cash on Hand	14	5
	(b) Balance with Banks		
	i) In Current Accounts	648	306
	ii) In Deposit Accounts	-	2
		<b>662</b>	<b>313</b>
<b>13</b>	<b><u>SHORT TERM LOANS AND ADVANCES</u></b>		
	<b><u>Unsecured and Considered good</u></b>		
	Loans and Advances to Employees	20	61
	<b>Balances with Government Authorities</b>		
	i) VAT Credit Receivable	187	110
	Advance for Purchase	41	23
	Others (Primarily prepaid expenses)	12	-
		<b>260</b>	<b>194</b>
<b>14</b>	<b><u>OTHER CURRENT ASSETS:</u></b>		
	Income Receivables	801	1,268
		<b>801</b>	<b>1,268</b>

**QUANTUM KNITS PVT. LIMITED**  
**Notes Forming part of the Financial Statements**

		Year Ended	
		31.03.2013	31.03.2012
		(₹ in Lakhs)	
<b>15</b>	<b><u>REVENUE FROM OPERATIONS</u></b>		
	Sale of Products	16,770	20,393
	Sale of Service	31	143
	Other Operating Income	1,625	2,026
		<b>18,426</b>	<b>22,562</b>
<b>15.1</b>	<b><u>Sale of Products</u></b>		
	Garment	16,769	20,305
	Yarn		2
	Fabric	1	86
		<b>16,770</b>	<b>20,393</b>
<b>15.2</b>	<b><u>Sale of Service</u></b>		
	Fabrication Income	31	143
		<b>31</b>	<b>143</b>
<b>15.3</b>	<b><u>Other Operating Income</u></b>		
	Export Incentives	1,421	1,871
	Others	204	155
		<b>1,625</b>	<b>2,026</b>
<b>16</b>	<b><u>OTHER INCOME</u></b>		
	<b>Interest from</b>		
	Bank Deposits	0	1
	Miscellaneous Income	-	22
		<b>0</b>	<b>23</b>
<b>17</b>	<b><u>COST OF MATERIALS CONSUMED</u></b>		
	<b>a) Opening Stock</b>		
	Yarn, Fabric & Polyester	825	796
		<b>825</b>	<b>796</b>
	<b>b) Add: Purchases</b>		
	Yarn, Fabric, Polyester & Garments	9,589	8,505
	Trims, Packing & Others (Consumption)	1,704	1,453
		<b>11,293</b>	<b>9,958</b>
	<b>c) Less : Closing Stock</b>		
	Yarn, Fabric & Polyester	1,402	825
		<b>1,402</b>	<b>825</b>
		<b>10,716</b>	<b>9,929</b>

		Year Ended	
		31.03.2013	31.03.2012
		(₹ in Lakhs)	
<b>18</b>	<b><u>CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK IN TRADE</u></b>		
	<b><u>A) OPENING STOCK</u></b>		
	Finished Goods	799	1,826
	Stock-in-Process	37	-
		836	1,826
	<b><u>B) CLOSING STOCK</u></b>		
	Finished Goods	1,544	799
	Stock-in-Process	147	37
		1,691	836
		<b>(855)</b>	<b>990</b>
<b>19</b>	<b><u>EMPLOYEE BENEFITS EXPENSES</u></b>		
	Salaries, Wages & Bonus	1,864	1,616
	Contribution to Provident Fund & Other Funds	178	178
	Welfare Expenses	615	271
		<b>2,657</b>	<b>2,065</b>
<b>20</b>	<b><u>FINANCE COSTS</u></b>		
	Working Capital Loans	410	85
	Bank Charges	75	28
		<b>485</b>	<b>113</b>
<b>21</b>	<b><u>OTHER EXPENSES</u></b>		
	<b><u>Manufacturing Expenses</u></b>		
	Power & Fuel	287	230
	Consumption of Stores & Packing materials	26	33
	Insurance Charges	26	17
	Printing Charges	275	243
	Processing Charges	2,534	2,424
	Production Expenses	373	242
	<b><u>Repairs and Maintenance</u></b>		
	Building	15	13
	Machinery	144	78
	Others	28	25
	<b><u>Administration Expenses</u></b>		
	Professional Fees	37	51
	Rent	2	1
	Rates & Taxes	-	1
	Payment to Auditor (Refer Note 23)	3	2
	Business Development Expenses	906	5,441
	Travelling Expenses	92	54
	Donations	1	0
	General Expenses	64	57
	<b><u>Selling Expenses</u></b>		
	Freight & Forwarding	348	310
	Sales Commission	23	27
	Other Selling expenses	38	52
		<b>5,222</b>	<b>9,301</b>

QUANTUM KNITS PVT. LIMITED

22 Contingent Liabilities and Commitments (to the extent not provided for).

22.1 Income Tax pending appeals, aggregate Tax Disputed Rs. 243 Lakhs (Pr.Yr.Nil).

23 Payment to Auditor

(₹ in Lakhs)

Particulars	2012-13	2011-12
Audit Fees	3	2
Tax Audit and Tax Matters	-	-
Other Services	0	-
Cost Audit	-	-
Expenses (incl. Service Tax)	-	0
<b>Total</b>	<b>3</b>	<b>2</b>

24 Micro, Small and Medium Enterprises

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

25 Related Party disclosures

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

25.1 Name of related parties and nature of relationship where control exists are as under

Holding Company	M/s. K.P.R.Mill Limited
Key Management Personnel	Sri K.P.Ramasamy Sri KPD Sigamani Sri P.Nataraj
Relatives of Key Managerial Personnel	Sri C.R.Anandakrishnan (Son of Sri K.P.Ramasamy) Sri E.K.Sakthivel (Daughter's Husband of Sri.KPD Sigamani) Smt D.Geetha (Daughter of Sri.KPD Sigamani)
Enterprises owned or significantly influenced by key management personnel/Directors or their relatives	M/s K.P.R.Developers Limited M/s K P R Cements Private Limited M/s K P R Holdings Private Limited M/s K P R Agro Farms Private Limited M/s Jahnvi Motors Private Limited M/s K P R Charities M/s K.P.R.Sugar Mill Limited

25.2 Transactions during the year with related parties / Key Management Personnel are as under

(₹ in Lakhs)

Nature of Transaction	Holding Company	Total as on 31/03/2013
Purchase of Goods / Asset	7,518 (6,408)	7,518 (6,408)
Sales of Goods / Asset	1 (339)	1 (339)
Processing / Service Charges Income	1 -	1 -
Processing / Service Charges Expenses	2,558 (2,425)	2,558 (2,425)
Amount Receivable	- -	- -
Amount Payable	1,670 (623)	1,670 (623)

(Previous year figures are in Brackets)

26 Expenditure in Foreign Currency (₹ in Lakhs)

Particulars	2012-13	2011-12
Travel, sales commission etc.,	39	64
Value of imports on CIF basis		
Raw Material	148	27
Stores and Spare parts	369	1
Total	556	92

27 Earnings in Foreign Currency (₹ in Lakhs)

Particulars	2012-13	2011-12
Export of Goods at FOB value	16,211	19,637
Total	16,211	19,637

28 Tax Deducted at Source (₹ in Lakhs)

Particulars	2012-13	2011-12
On Jobwork Charges	0.5	3
On Training Programme	0.1	1
On Interest	0.0	-
Total	0.6	4

29 Earnings Per Share (EPS)

Particulars	2012-13	2011-12
Profit After Tax (Rs.in Lakhs)	152	156
Weighted average number of Shares	1,00,000	1,00,000
EPS (Rs.) Basic & Diluted	151.90	156.03
Face Value Per Share (Rs)	10	10

30 Segment Reporting

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

(₹ in Lakhs)

Geographic Segment	Sales		Receivables	
	2012-13	2011-12	2012-13	2011-12
Export	16,211	19,637	3,214	3,145
Domestic	559	756	9	127
Total	16,770	20,393	3,223	3,272

		(₹ in Lakhs)	
		2012-13	2011-12
<b>31</b>	<b>Defined Contribution Plan</b>		
	Provident Fund	173.24	180.18
	ESI Contribution	70.40	67.24
<b>31.1</b>	<b>Defined Benefit Plan</b>		
	Gratuity		
	<b>A Changes in Present value of obligation</b>		
	PV of obligation as the beginning of the year	16.97	11.89
	Current Service Cost	5.31	4.67
	Interest Cost	1.36	1.10
	Actuarial (gain) / Loss on obligation	(4.03)	(0.69)
	PV of obligation as at end of the year	19.61	16.97
	<b>B Change in Assets during the year ended 31st March</b>		
	FV of Plan Asset as at beginning of the year	16.23	12.77
	Expected return on Plan Assets	1.49	1.24
	Actuarial gain / (loss)	-	0.88
	Contributions by the employer	3.86	1.34
	FV of Plan Asset as at end of the year	21.58	16.23
	<b>C Net Asset/(Liability) recognized in the Balance Sheet</b>		
	PV of obligation as at end of the year	19.61	16.97
	FV of Plan Asset as at end of the year	21.58	16.23
	Funded Status [Surplus/(Deficit)]	1.97	(0.74)
	<b>D Expenses recognized during the period ended 31st March</b>		
	Current Service Cost	5.31	4.67
	Interest Cost	1.36	1.10
	Expected return on Plan Assets	(1.49)	(1.24)
	Actuarial (gains) / Losses	(4.03)	(1.57)
	Net amount recognised in the year	1.15	2.96
	<b>E Categories of plan assets as a percentage of total plan assets</b>		
	Equity instruments	-	-
	Debt instruments	-	-
	Property	-	-
	Insurer managed asset	100%	100%
	<b>Assumptions used in accounting for the gratuity Plan</b>		
	Discount Rate ( per annum)	8.00%	8.00%
	Rate of increase in compensation levels (per annum)	7.50%	7.50%
	Rate of return on plan assets (per annum)		9.00%
	Expected average remaining working lives of employees (years)		28.00
	In the absence of detailed information regarding Plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed. The details of experience adjustments arising on account of plan assets and liabilities as required by paragraph 120(n)(ii) of AS 15 (Revised) on "Employee Benefits" are not readily available in the valuation report and hence, are not furnished.		
	The estimate of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotions and other relevant factors including supply and demand in the employment market.		

### 32 Previous Year's Figures

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