QUANTUM KNITS PVT. LIMITED
BALANCE SHEET AS AT 31.03.2014

Particulars	Note	As at 31.03.2014	As at 31.03.2013
		(₹ in Lakhs)	
A EQUITY AND LIABILITIES			
1 Shareholders' Funds			
(a) Share Capital	3	10	10
(b) Reserves and Surplus	4	621	428
		631	438
2 Current Liabilities			
(a) Short-Term Borrowings	5	6,036	5,519
(b) Trade Payables	6	274	2,331
(c) Other Current Liabilities	7	36	67
		6,346	7,917
		6,977	8,355
B ASSETS			
1 Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	8	58	-
(b) Long-Term Loans and Advances	9	1	2
		59	2
2 Current Assets			
(a) Inventories	10	836	3,407
(b) Trade Receivables	11	4,397	3,223
(c) Cash and Cash Equivalents	12	329	662
(d) Short-Term Loans and Advances	13	396	260
(e) Other Current Assets	14	960	801
		6,918	3,353
Accompanying notes form part of the financial statements		6,977	8,355

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

M.Ramachandran
Partner

Coimbatore
07.05.2014

KPD Sigamani
Managing Director

P.Nataraj
Director

Coimbatore
07.05.2014

QUANTUM KNITS PVT. LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31.03.2014

Particulars	Note	Year Ended	
		31.03.2014	31.03.2013
		(₹ in Lakhs)	
I. Revenue from Operations (Gross)	15	**27,145**	**18,426**
Less: Excise Duty		-	-
Revenue from Operations (Net)		**27,145**	**18,426**
II. Other Income	16	1	0
III. Total Revenue		**27,146**	**18,426**
IV. Expenses			
Cost of Materials Consumed	17	22,829	13,898
Changes in Inventories of Finished Goods, Work- in-Progress and Stock in Trade	18	864	(855)
Employee Benefits Expenses	19	2,059	2,657
Finance Costs	20	138	485
Depreciation and Amortization Expenses	8	2	-
Other Expenses	21	979	2,040
Total Expenses		**26,871**	**18,225**
V. Profit Before Tax		275	201
Tax Expense			
1. Current Tax Expense for Current Year		89	64
2. Less: MAT Credit Entitlement		-	3
3. Current Tax Expense relating to Prior Years		(7)	(11)
4. Deferred Tax		-	-
Net Tax Expenses		82	50
VI. Profit for the year		**193**	**151**
VII. Earnings per equity share of ₹ 10 each			
1. Basic & Diluted (in ₹)		193	151

For and on behalf of the Board

K.P.Ramasamy
Chairman

KPD Sigamani
Managing Director

P.Nataraj
Director

Coimbatore
07.05.2014

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

M.Ramachandran
Partner

Coimbatore
07.05.2014

QUANTUM KNITS PVT. LIMITED
CASH FLOW STATEMENT

PARTICULARS		Year Ended 31.03.2014	Year Ended 31.03.2013
		(₹ in Lakhs)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit Before Tax		275	201
Adjustments for:			
Depreciation		2	-
Finance Costs		138	485
Interest Income		(1)	(1)
Operating profit before Working Capital changes		414	685
Changes in Working Capital:			
Adjustments For (Increase) / Decrease in Operating Assets:			
Inventories		2,571	(1,580)
Trade Receivables		(1,174)	49
Bank Balance not Considered as Cash and Cash Equivalents - Margin Deposit Account		-	2
Short-Term Loans and Advances		(136)	(66)
Other Current Assets		(159)	467
Adjustments for Increase / (Decrease) in Operating Liabilities:			
Short-Term Borrowings		517	275
Trade Payables		(2,057)	1,025
Other Current Liabilities		(31)	33
Cash Generated from Operations		(55)	890
Net Income Tax (Paid) / Refunds		(81)	(55)
Net Cash flow from / (used in) Operating Activities	(A)	(136)	835
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(60)	-
Interest Receipts		1	1
Net Cash flow from / (used in) Investing Activities	(B)	(59)	1
CASH FLOW FROM FINANCING ACTIVITIES			
Finance Costs Paid		(138)	(485)
Net Cash flow from / (used in) Financing Activities	(C)	(138)	(485)
Net Increase in Cash and Cash Equivalents	(A+B+C)	(333)	351
Add: Opening Cash and Cash Equivalents		662	311
Closing Cash and Cash Equivalents		329	662
Reconciliation of Cash and cash equivalents with the Balance Sheet:			
Cash and cash equivalents (Refer Note 12)		329	662
Closing Cash and Cash Equivalents		329	662
Closing Cash and Cash Equivalents Comprises:			
(a) Cash on Hand		1	14
(b) Balance with Banks:		-	-
i) In Current Accounts		17	648
ii) In EEFC Accounts		286	-
iii) In Deposit Accounts		25	-
		329	662
Accompanying notes forming part of the financial statements			

For and on behalf of the Board

K.P.Ramasamy
Chairman

KPD Sigamani
Managing Director

P.Nataraj
Director

Coimbatore
07.05.2014

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

M.Ramachandran
Partner

Coimbatore
07.05.2014

1 Company Overview

Quantum Knits Pvt. Limited is a 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 as a private limited company under the Companies Act, 1956.

2 Significant Accounting Policies

A) BASIS OF ACCOUNTING

(i) The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention.

(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 the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

C) INVENTORIES

Inventories are valued at the lower of cost (e.g. on FIFO / specific identification method) and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, insurance and receiving charges. Work-in-progress and finished goods include appropriate proportion of overheads and, where applicable, excise duty.

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) DEPRECIATION

Depreciation on Fixed Assets is provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956, except in respect of windmill which is depreciated at 8.33% based on the management's estimate of useful life of such assets. Assets costing less than ₹ 5,000 each are fully depreciated in the year of capitalisation.

F) REVENUE RECOGNITION

Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales include excise duty but exclude sales tax and value added tax. Job work income and revenue from sale of windmill power are recognised when services are rendered and related costs are incurred. Dividend income is recognised when the right to receive the income is established. Interest income is recognised on time proportion basis taking into account the amount outstanding and rate applicable. Export incentives are accounted for in the year of exports based on eligibility and expected amount on realisation.

G) FIXED ASSETS

i) Fixed assets and intangibles are stated at cost less accumulated depreciation and amortisation respectively. Cost includes all costs relating to acquisition and installation of fixed assets including any incidental costs of bringing the assets to their working condition for their intended use. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

ii) Fixed assets retired from active use and held for sale are stated at the lower of their net book value and net realisable value and are disclosed separately.

iii) Expenditure during construction period in respect of new projects is included under capital work-in-progress and the same is allocated to the fixed assets on the commissioning of the respective projects.

H) FOREIGN EXCHANGE TRANSACTIONS

Foreign Currency Transactions are accounted at the exchange rates prevailing 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 historical cost. Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense 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, 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.

I) 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.

J) 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".

K) 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.

L) TAXATION

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

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 highly probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

M) IMPAIRMENT OF ASSETS

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

N) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

O) 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

	Particulars	As at 31.03.2014	As at 31.03.2013
		(₹ in Lakhs)	
3	**SHARE CAPITAL**		
	Authorised Share Capital		
	1,00,000 (Pr.Yr 1,00,000) Equity Shares of ₹10 each	10	10
		10	10
	Issued, Subscribed & Paid up Capital		
	1,00,000 (Pr.Yr 1,00,000) Equity Shares of ₹10 each fully paid-up	10	10
		10	**10**

3.1 1,00,000 Equity shares of ₹ 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.

3.2 Terms / Rights to Shares

Equity Shares:

The Company has issued only one class of equity shares having a face value of ₹ 10 per share. The holder of each equity share is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The final dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

During the year, the amount of per share interim dividend paid to equity shareholders was ₹ Nil (31st March 2013: ₹ Nil) and per share final dividend recommended for distribution to equity shareholders is ₹ Nil (31st March 2013: ₹ Nil).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after settling the dues of preferential and other creditors as per priority. The distribution will be in proportion to the number of equity shares held by the shareholders.

3.3 **Reconciliation of the Shares outstanding at the beginning and at the end of the reporting period**

Equity Shares	**As at 31 March, 2014**		**As at 31 March, 2013**	
Particulars	Number of Shares	(₹ in Lakhs)	Number of Shares	(₹ in Lakhs)
At the beginning of the period	1,00,000	10	1,00,000	10
Changes during the year	-	-	-	-
Outstanding at the end of the period	1,00,000	10	1,00,000	10

3.4 **Details of Shares held by Holding Company**

Particulars	Number of Shares	%	Number of Shares	%
M/s K P R Mill Limited	1,00,000	100%	1,00,000	100%

As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares as at the balance sheet date.

3.5 **Details of Shareholders holding more than 5% shares in the company**

Particulars	Number of Shares	%	Number of Shares	%
M/s K P R Mill Limited	1,00,000	100%	1,00,000	100%

4	**RESERVES AND SURPLUS**		
	General Reserve		
	Opening Balance	3	3
	Closing Balance	3	3
	Surplus in Statement of Profit and Loss		
	Opening Balance	425	274
	Add: Profit for the year	193	151
	Closing Balance	618	425
		621	**428**

		As at 31.03.2014	As at 31.03.2013
		(₹ in Lakhs)	
5	**SHORT TERM BORROWINGS**		
	From Banks Secured		
	Packing Credit	6,036	5,519
		6,036	**5,519**
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 ₹ 15,000 Lakhs (Pr Yr ₹ 15,000 Lakhs) towards working capital facility.		
5.2	The Company has not defaulted in its repayments of the loans and interest.		
6	**TRADE PAYABLES**		
	(Refer Note 24)		
	Other than Acceptance	274	2,331
		274	**2,331**
7	**OTHER CURRENT LIABILITIES**		
	Current Maturities of		
	Advance from Customers	25	14
	Other Liabilities #	11	53
		36	**67**
	# Includes Statutory dues.		

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QUANTUM KNITS PVT. LIMITED

8. TANGIBLE ASSETS

(₹ in Lakhs)

PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION AND IMPARMENT				NET BLOCK
	Cost as on 01.04.2013	Additions	Deletions	Cost as on 31.03.2014	Upto 01.04.2013	For the Year	Withdrawn on deletions	Upto 31.03.2014	As on 31.03.2014
Land	- -	- -	- -	- -	- -	- -	- -	- -	- -
Factory Building	- -	- -	- -	- -	- -	- -	- -	- -	- -
Non - Factory Buildings	- -	- -	- -	- -	- -	- -	- -	- -	- -
Plant & Machinery	- -	60 -	- -	60 -	-	2 -	-	2 -	58 -
Electrical	- -	- -	- -	- -	- -	- -	- -	- -	- -
Furniture & Fixtures	- -	- -	- -	- -	- -	- -	- -	- -	- -
Computers & Accessories	- -	- -	- -	- -	- -	- -	- -	- -	- -
Vehicles	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	**-**	**60**	**-**	**60**	**-**	**2**	**-**	**2**	**58**
Previous Year	-	-	-	-	-	-	-	-	-

		As at 31.03.2014	As at 31.03.2013
		(₹ in Lakhs)	
9	**LONG TERM LOANS AND ADVANCES**		
	Advance Tax *	1	2
		1	**2**
	* Net of Provision for Income Tax ₹ 89 Lakhs (Pr Yr ₹ 61 Lakhs)		
10	**INVENTORIES**		
	Raw Materials	-	1,402
	Stock-in-process	-	147
	Finished Goods	827	1,544
	Stores, Spares, Packing & Others	9	314
		836	**3,407**
11	**TRADE RECEIVABLES**		
	Unsecured and Considered good		
	Over six months from the payment due date	12	-
	Others	4,385	3,223
		4,397	**3,223**
12	**CASH AND CASH EQUIVALENTS**		
	(a) Cash on Hand	1	14
	(b) Balance with Banks		
	i) In Current Accounts	17	648
	ii) In EEFC Accounts	286	-
	iii) In Deposit Accounts	25	-
		329	**662**
	Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements is ₹ 329 Lakhs (Pr. Yr. ₹ 662 Lakhs).		
13	**SHORT TERM LOANS AND ADVANCES**		
	Unsecured and Considered good		
	Loans and Advances to Employees	20	20
	Balances with Government Authorities		
	i) VAT Credit Receivable	42	187
	Advance for Purchase	326	41
	Others (Primarily prepaid expenses)	8	12
		396	**260**
14	**OTHER CURRENT ASSETS:**		
	Income Receivables	960	801
		960	**801**

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

	Particulars	Year Ended	
		31.03.2014	31.03.2013
		(₹ in Lakhs)	
15	**REVENUE FROM OPERATIONS**		
	Sale of Products	24,316	16,770
	Sale of Service	525	31
	Other Operating Income	2,304	1,625
		27,145	**18,426**
15.1	**Sale of Products**		
	Garment	23,992	16,769
	Yarn	323	-
	Fabric	1	1
		24,316	**16,770**
15.2	**Sale of Service**		
	Fabrication Income	525	31
		525	**31**
15.3	**Other Operating Income**		
	Export Incentives	1,997	1,421
	Others	307	204
		2,304	**1,625**
16	**OTHER INCOME**		
	Interest from		
	Bank Deposits	1	-
		1	**-**
17	**COST OF MATERIALS CONSUMED**		
	a) Opening Stock		
	Yarn, Fabric & Polyster	1,402	825
		1,402	825
	b) Add: Purchases		
	Yarn, Fabric, Polyster & Garments	19,005	9,589
	Production Expenses	1,261	3,182
	Trims, Packing & Others (Consumption)	1,161	1,704
		21,427	14,475
	c) Less : Closing Stock		
	Yarn, Fabric & Polyster	-	1,402
		-	1,402
		22,829	**13,898**

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	Particulars	Year Ended	
		31.03.2014	31.03.2013
		(₹ in Lakhs)	
18	**CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK IN TRADE**		
	A) OPENING STOCK		
	Finished Goods	1,544	799
	Stock-in-Process	147	37
		1,691	836
	B) CLOSING STOCK		
	Finished Goods	827	1,544
	Stock-in-Process	-	147
		827	1,691
		864	**(855)**
19	**EMPLOYEE BENEFITS EXPENSES**		
	Salaries, Wages & Bonus	1,451	1,864
	Contribution to Providend Fund & Other Funds	131	178
	Welfare Expenses	477	615
		2,059	**2,657**
20	**FINANCE COSTS**		
	a) Interest Expense on:		
	Working Capital Loans	150	410
	Others:		
	Bank Charges	43	75
	b) Net (Gain) / Loss on Foreign Currency Transactions & Translation	(55)	-
		138	**485**
21	**OTHER EXPENSES**		
	Manufacturing Expenses		
	Power & Fuel	231	287
	Consumption of Stores & Packing materials	12	26
	Insurance Charges	26	28
	Repairs and Maintenance		
	Building	12	15
	Machinery	91	144
	Others	34	27
	Administration Expenses		
	Professional Fees	38	37
	Rent	2	2
	Rates & Taxes	13	2
	Payment to Auditor (Refer Note 23)	3	3
	Business Development Expenses	-	906
	Travelling Expenses	56	92
	Donations	3	1
	General Expenses	53	61
	Selling Expenses		
	Freight & Forwarding	332	349
	Sales Commission	20	23
	Other Selling expenses	53	37
		979	**2,040**

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QUANTUM KNITS PVT. LIMITED

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

22.1 Income Tax pending appeals, aggregate Tax Disputed ₹ 1,050 Lakhs (Pr.Yr ₹ 243 Lakhs). Sales tax pending appeals, aggregated tax disputed ₹ 10 Lakhs (Pr.Yr ₹ Nil)

23 Payment to Auditor

(₹ in Lakhs)

Particualrs	2013-14	2012-13
Audit Fees	3	3
Tax Audit and Tax Matters	-	-
Other Services	0	0
Cost Audit	-	-
Expenses (incl. Service Tax)	-	-
Total	3	3

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 31/03/2014
Purchase of Goods / Asset	18,136 (7,518)	18,136 (7,518)
Sales of Goods / Asset	435 (1)	435 (1)
Processing / Service Charges Income	392 (1)	392 (1)
Processing / Service Charges Expenses	812 (2,558)	812 (2,558)
Amount Receivable	304 -	304 -
Amount Payable	- (1,670)	- (1,670)

(Previous year figures are in Brackets)

26 Expenditure in Foreign Currency (₹ in Lakhs)

Particulars	2013-14	2012-13
Travel, sales commission etc.,	33	39
Value of imports on CIF basis		
Raw Material	134	148
Stores and Spare parts	0	369
Capital Goods	59	-
Total	226	556

27 Earnings in Foreign Currency (₹ in Lakhs)

Particulars	2013-14	2012-13
Export of Goods at FOB value	22,993	16,211
Total	22,993	16,211

28 Earnings Per Share (EPS)

Particulars	2013-14	2012-13
Profit After Tax (Rs.in Lakhs)	193	151
Weighted average number of Shares	1,00,000	1,00,000
EPS (Rs.) Basic & Diluted	193.00	151.00
Face Value Per Share (Rs)	10	10

29 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)

29.1

Geographic Segment	Sales		Receivables	
	2013-14	2012-13	2013-14	2012-13
Europe	17,542	10,726	4,033	2,259
Asia	855	890	210	1
Others	4,596	4,595	130	954
Domestic	1,323	559	24	9
Total	24,316	16,770	4,397	3,223

ML

(₹ in Lakhs)

		2013-14	2012-13
30	**Defined Contribution Plan**		
	Provident Fund	126.44	173.24
	ESI Contribution	58.43	70.40
30.1	Defined Benefit Plan		
	Gratuity		
A	**Changes in Present value of obligation**		
	PV of obligation as the beginning of the year	19.61	16.97
	Current Service Cost	5.14	5.31
	Interest Cost	1.57	1.36
	Actuarial (gain) / Loss on obligation	(3.19)	(4.03)
	PV of obligation as at end of the year	23.13	19.61
B	**Change in Assets during the year ended 31st March**		
	FV of Plan Asset as at beginning of the year	21.58	16.23
	Expected return on Plan Assets	1.49	1.49
	Actuarial gain / (loss)		-
	Contributions by the employer	4.00	3.86
	FV of Plan Asset as at end of the year	27.07	21.58
C	**Net Asset/(Liability) recognized in the Balance Sheet**		
	PV of obligation as at end of the year	23.13	19.61
	FV of Plan Asset as at end of the year	27.07	21.58
	Funded Status [Surplus/(Deficit)]	3.94	1.97
D	**Expenses recognized during the period ended 31st March**		
	Current Service Cost	5.14	5.31
	Interest Cost	1.57	1.36
	Expected return on Plan Assets	(1.49)	(1.49)
	Actuarial (gains) / Losses	(3.19)	(4.03)
	Net amount recognised in the year	2.03	1.15
E	**Composition of Plan Assets**		
	Government securities	11.05	9.01
	Debentures and bonds	10.13	8.25
	Fixed deposits	4.05	3.30
	Others	1.77	1.75
	Assumptions used in accounting for the gratuity Plan		
	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)	7.99%	8.01%
	Expected average remaining working lives of employees (years)	30.03	29.76
	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.		

31 Previous Year's Figures

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

Deloitte Haskins & Sells

Chartered Accountants
Shanmugha Manram,
41, Race Course,
Coimbatore - 641 018.
INDIA

Tel : +91 (422) 4392801/802/803
Fax : +91 (422) 2223615

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 31st March, 2014, 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 notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) 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 31st March, 2014;
(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 notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).
   (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm Registration No. 008072S)

(M. Ramachandran)
(Partner)
(Membership No. 16399)

COIMBATORE, 7 May, 2014

Deloitte
Haskins & Sells

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT
(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) Having regard to the nature of the Company's business/activities/results during the year, clauses (vi), (xii) to (xvi), (xviii) to (xx) of paragraph 4 of the Order are not applicable to the Company.

(ii) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) There was no disposal of fixed assets during the year.

(iii) 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.

(iv) 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.

(v) In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets, and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal control system.

(vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief, and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

(b) Where each of such transaction is in excess of ₹ 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.

(vii) In our opinion, the internal audit functions carried out during the year by a 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 and 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 made and 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 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, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2014 for a period of more than six months from the date they became payable.

(c) Details of dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2014 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (₹ in lakhs)
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals), Coimbatore	2008-09 and 2009-10	1,050.16
Tamil Nadu Value Added Tax Act, 2006	Value Added Tax	Joint Commissioner (Commercial Taxes), Coimbatore	2012-13	4.91
Tamil Nadu Value Added Tax Act, 2006	Value Added Tax	Joint Commissioner (Commercial Taxes), Salem	2013-14	4.89

(x) The Company does not have accumulated losses at the end of the financial year, 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 banks.

(xii) 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, *prima facie,* not been used during the year for long-term investment.

(xiii) 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)

M. Ramachandran
Partner
(Membership No. 16399)

COIMBATORE, 7 May, 2014