

**INDEPENDENT AUDITOR'S 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 2015, the Statement of Profit and Loss, 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 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 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 thereunder.

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, but not for the purpose of expressing an opinion on whether the Company has in



# **Deloitte Haskins & Sells**

place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. 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 31<sup>st</sup> March 2015, 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, 2015 ("the Order") issued by the Central Government in terms of Section 143 (11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
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<sup>st</sup> March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.



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- (f) 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:
- The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 23 to the financial statements;
  - The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm's Registration No. 008072S)



A handwritten signature in black ink, appearing to read "M. Ramachandran".

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

Place: Coimbatore

Date : 27 April 2015

# Deloitte Haskins & Sells

## ANNEXURE TO THE INDEPENDENT AUDITOR'S 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 / results during the year, clauses v, vi, ix, and xi of paragraph 3 of the Order are not applicable to the Company.

- (i) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets 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.
- (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 not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013.
- (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 fixed assets and for the 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) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.



# Deloitte Haskins & Sells

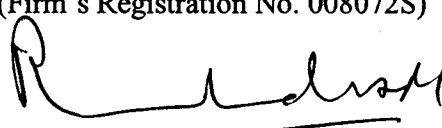
- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2015 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Value Added Tax and Cess which have not been deposited as on March 31, 2015 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 (Rs. In Lakhs)
Income Tax Act, 1961	Income Tax	ITAT, Chennai.	2009-2010	242.68
Income Tax Act, 1961	Income Tax	ITAT, Chennai.	2010-2011	807.48
Income Tax Act, 1961	Income Tax	CIT (Appeal), Coimbatore.	2011-2012	1807.31
Tamil Nadu Value Added Tax Act, 2006	Value Added Tax	Joint Commissioner (Commercial Taxes), Coimbatore.	2011-2012	4.91
Tamil Nadu Value Added Tax Act, 2006	Value Added Tax	Additional Commissioner (RP), Chennai.	2012-2013	4.89

- (d) There are no amounts that are due to be transferred to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and Rules made thereunder.
- (vi) 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.
- (vii) 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.
- (viii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Firm's Registration No. 008072S)



  
M. Ramachandran  
Partner  
(Membership No. 16399)


Place: Coimbatore

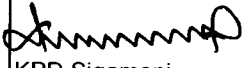
Date: 27 April 2015

**QUANTUM KNITS PVT. LIMITED**  
**BALANCE SHEET AS AT 31.03.2015**

	Note	As at 31.03.2015	As at 31.03.2014
<b>(₹ in Lakhs)</b>			
<b>A EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
(a) Share Capital	3	10	10
(b) Reserves and Surplus	4	1,958	621
		1,968	631
<b>2 Current Liabilities</b>			
(a) Short-Term Borrowings	5	-	6,036
(b) Trade Payables	6	70	274
(c) Other Current Liabilities	7	7,082	36
(d) Short-Term Provisions	8	66	-
		7,218	6,346
		9,186	6,977
<b>B ASSETS</b>			
<b>1 Non-Current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets	9	55	58
(b) Long-Term Loans and Advances	10	-	1
		55	59
<b>2 Current Assets</b>			
(a) Inventories	11	355	836
(b) Trade Receivables	12	1,413	4,397
(c) Cash and Cash Equivalents	13	615	329
(d) Short-Term Loans and Advances	14	6,512	396
(e) Other Current Assets	15	236	960
		9,131	6,918
Accompanying notes forming part of the financial statements		9,186	6,977

For and on behalf of the Board of Directors

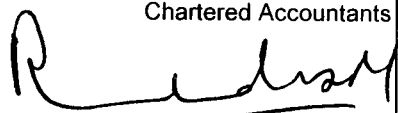
  
K.P. Ramasamy  
Chairman

  
KPD Sigamani  
Director

Coimbatore  
27.04.2015

  
P. Nataraj  
Director

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

  
M. Ramachandran  
Partner



Coimbatore  
27.04.2015

**QUANTUM KNITS PVT. LIMITED**  
**STATEMENT OF PROFIT AND LOSS**  
**FOR THE YEAR ENDED 31.03.2015**

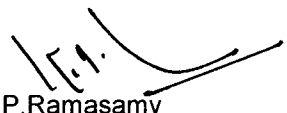
(₹ in Lakhs)

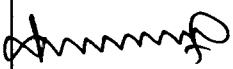
	Note	Year Ended	
		31.03.2015	31.03.2014
<b>I. Revenue from Operations (Gross)</b>	16	<b>20,926</b>	<b>27,145</b>
Less: Excise Duty		-	-
<b>Revenue from Operations (Net)</b>		<b>20,926</b>	<b>27,145</b>
II. Other Income	17	91	1
<b>III. Total Revenue</b>		<b>21,017</b>	<b>27,146</b>
<b>IV. Expenses</b>			
Purchase of Stock-in-Trade	18	17,542	22,829
Changes in Inventories of Finished Goods, Work- in-Progress and Stock in Trade	19	472	864
Employee Benefits Expenses	20	147	2,059
Finance Costs	21	477	138
Depreciation and Amortization Expenses	9	3	2
Other Expenses	22	358	979
<b>Total Expenses</b>		<b>18,999</b>	<b>26,871</b>
V. Profit Before Tax		2,018	275
VI. Tax Expense			
1. Current Tax Expense for Current Year		686	89
2. Less: MAT Credit Entitlement		-	-
3. Current Tax Expense relating to Prior Years		(5)	(7)
4. Deferred Tax		-	-
Net Tax Expenses		681	82
VII. Profit for the year		<b>1,337</b>	<b>193</b>
VIII. Earnings per equity share of ₹ 10 each			
1. Basic & Diluted (in ₹)		1,337	193
Accompanying notes forming part of the financial statements			

For and on behalf of the Board of Directors

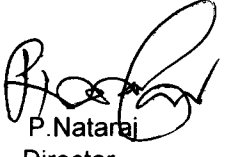
"In terms of our report attached"

For Deloitte Haskins & Sells  
Chartered Accountants

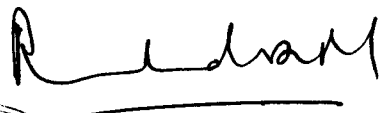
  
K.P. Ramasamy  
Chairman

  
KPD Sigamani  
Director

Coimbatore  
27.04.2015

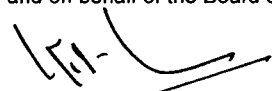
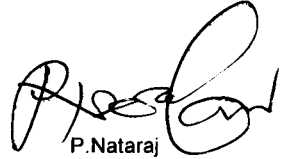
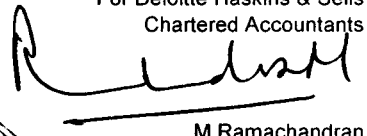
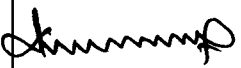

  
P. Nataraj  
Director



  
M. Ramachandran  
Partner

Coimbatore  
27.04.2015

**QUANTUM KNITS PRIVATE LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2015**

PARTICULARS		Year Ended 31.03.2015	Year Ended 31.03.2014
		(₹ in Lakhs)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit Before Tax		2,018	275
Adjustments for:			
Depreciation		3	2
Finance Costs		477	138
Interest Income		(2)	(1)
<b>Operating profit before Working Capital changes</b>		<b>2,496</b>	<b>414</b>
Changes in Working Capital:			
Adjustments For (Increase) / Decrease in Operating Assets:			
Inventories		481	2,571
Trade Receivables		2,984	(1,174)
Bank Balance not Considered as Cash and Cash Equivalents - Margin Deposit Account		-	-
Short-Term Loans and Advances		(6,116)	(136)
Other Current Assets		724	(159)
Adjustments for Increase / (Decrease) in Operating Liabilities:			
Short-Term Borrowings		(6,036)	517
Trade Payables		(204)	(2,057)
Other Current Liabilities		7,046	(31)
<b>Cash Generated from Operations</b>		<b>1,375</b>	<b>(55)</b>
Net Income Tax (Paid) / Refunds		(614)	(81)
<b>Net Cash flow from / (used in) Operating Activities</b>	<b>(A)</b>	<b>761</b>	<b>(136)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets		-	(60)
Interest Receipts		2	1
<b>Net Cash flow from / (used in) Investing Activities</b>	<b>(B)</b>	<b>2</b>	<b>(59)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Finance Costs Paid		(477)	(138)
<b>Net Cash flow from / (used in) Financing Activities</b>	<b>(C)</b>	<b>(477)</b>	<b>(138)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(A+B+C)</b>	<b>286</b>	<b>(333)</b>
Add: Opening Cash and Cash Equivalents		329	662
<b>Closing Cash and Cash Equivalents</b>		<b>615</b>	<b>329</b>
Reconciliation of Cash and cash equivalents with the Balance Sheet:			
Cash and cash equivalents (Refer Note 13)		615	329
<b>Closing Cash and Cash Equivalents</b>		<b>615</b>	<b>329</b>
<b>Closing Cash and Cash Equivalents Comprises:</b>			
(a) Cash on Hand		1	1
(b) Balance with Banks:			
i) In Current Accounts		465	17
ii) In EEFC Accounts		122	286
iii) In Deposit Accounts		27	25
		<b>615</b>	<b>329</b>
Accompanying notes forming part of the financial statements			
For and on behalf of the Board of Directors		In terms of our report attached For Deloitte Haskins & Sells Chartered Accountants	
 K.P. Ramasamy Chairman	 P. Nataraj Director	 M. Ramachandran Partner	
 KPD Sigamani Director			
Coimbatore 27.04.2015			Coimbatore 27.04.2015

## **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 specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act") / Companies Act, 1956 ("the 1956 Act"), as applicable.
- (ii) The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except for change in the accounting policy for depreciation as more fully described in Note 31.

### **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 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) CASH FLOW STATEMENT**

Cash flow are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

### **F) DEPRECIATION**

Depreciation on Fixed Assets is provided on Straight Line Method at the rates prescribed in Schedule II of the Companies Act, 1956, except 1) Plant & Machinery @ 10.34% and 2) Electricals @ 7.07% based on useful life ascertained for such asset through technical assessment by competent Professional.

### **G) 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. Sale of service and revenue from sale of windmill power are recognised when services are rendered and related costs are incurred. Dividend Income is recognised when right to receive the income is established. Interest income is recognised on time proportion basis (accrual 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.

### **H) FIXED ASSETS**

- i) Fixed assets and intangibles are stated at cost less accumulated depreciation / amortisation and impairment losses, if any. 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. The Company has adopted the provisions of para 46 / 46A of AS 11 The Effects of Changes in Foreign Exchange Rates, and accordingly, exchange differences arising on restatement / settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets. 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.

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.



Capital work-in-progress

iii) Projects under which tangible fixed assets are not yet ready for their intended use are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

I) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

Initial recognition : Transactions in Foreign Currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transactions or at rates that closely approximate the rate at the date of the transaction or at the forward contract rate for the transaction.

Measurement at the balance sheet date : Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

Treatment of exchange differences - when para 46 / 46A of AS 11 is adopted : 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.

Accounting for forward contracts : 'Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the balance sheet date. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense in the period in which such cancellation or renewal is made.

J) 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.

K) BORROWING COSTS

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset are added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

L) 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".



#### M) 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.

#### N) TAXATION

Current tax is determined on the basis of taxable income and tax credits computed in accordance with the applicable tax rates and the provisions of applicable tax laws.

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 and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence 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.

#### O) 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.

#### P) 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.

#### Q) INSURANCE CLAIMS

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

#### R) SERVICE TAX INPUT CREDIT

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is reasonable certainty in availing / utilising the credits.

#### S) 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**
**3 SHARE CAPITAL**
**Authorised Share Capital**

1,00,000 (Pr.Yr 1,00,000) Equity Shares of ₹10 each with voting rights

**Issued, Subscribed & Paid up Capital**

1,00,000 (Pr.Yr 1,00,000) Equity Shares of ₹10 each fully paid-up with voting rights

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 2014: ₹ Nil) and per share final dividend recommended for distribution to equity shareholders is ₹ Nil (31st March 2014: ₹ 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, 2015		As at 31 March, 2014	
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

Closing Balance

**Surplus in Statement of Profit and Loss**

Opening Balance

Less: Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life (Net of deferred tax)

Add: Profit for the year

Closing Balance

	As at 31.03.2015	As at 31.03.2014
General Reserve		
Opening Balance	3	3
Closing Balance	3	3
Surplus in Statement of Profit and Loss		
Opening Balance	618	425
Less: Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life (Net of deferred tax)	-	-
Add: Profit for the year	1,337	193
Closing Balance	1,955	618
	1,958	621



		As at 31.03.2015	As at 31.03.2014
		(₹ in Lakhs)	
<b>5</b>	<b><u>SHORT TERM BORROWINGS</u></b>		
	Loan repayable on demand		
	From Banks Secured		
	Packing Credit	-	6,036
		-	6,036
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.		
<b>6</b>	<b><u>TRADE PAYABLES</u></b>		
	(Refer Note 25)		
	Other than Acceptance	70	274
		70	274
<b>7</b>	<b><u>OTHER CURRENT LIABILITIES</u></b>		
	Advance from Customers	7,069	25
	Other Liabilities #	13	11
		7,082	36
	# Includes Statutory dues of ₹ 13 Lakhs (Pr. Yr. ₹ 11 Lakhs).		
<b>8</b>	<b><u>SHORT TERM PROVISIONS</u></b>		
	Provision - Others		
	Provision for Income Tax *	66	-
		66	-
	* Net of Advance Tax Paid ₹ 620 Lakhs (Pr Yr ₹ Nil)		



**QUANTUM KNITS PVT LIMITED**

**9. FIXED ASSET**

₹ in Lakhs

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on 01.04.2014	Addition	Deletion	Cost as on 31.03.2015	Upto 01.04.2014	For the Year	Withdrawn on deletions	Upto 31.03.2015	As on 31.03.2015	As on 31.03.2014
Land	-	-	-	-	-	-	-	-	-	-
Factory Building	-	-	-	-	-	-	-	-	-	-
Non - Factory Buildings	-	-	-	-	-	-	-	-	-	-
Plant & Machinery	60	-	-	60	2	3	-	5	55	58
	-	60	-	60	-	2	-	2	58	-
Electrical	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures	-	-	-	-	-	-	-	-	-	-
Computers & Accessories	-	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>5</b>	<b>55</b>	<b>58</b>
	-	60	-	60	-	2	-	2	58	-

*Previous year Figures in Italics*



	As at 31.03.2015	As at 31.03.2014
	(₹ in Lakhs)	
<b>10 LONG TERM LOANS AND ADVANCES</b>		
Advance Tax *	-	1
	-	1
* Net of Provision for Income Tax ₹ Nil (Pr Yr ₹ 89 Lakhs)		
<b>11 INVENTORIES</b>		
Stock-in-trade	355	827
Stores, Spares, Packing & Others	-	9
	<b>355</b>	<b>836</b>
<b>12 TRADE RECEIVABLES</b>		
<b>Unsecured and Considered good</b>		
Over six months from the payment due date	-	12
Others	1,413	4,385
	<b>1,413</b>	<b>4,397</b>
<b>13 CASH AND CASH EQUIVALENTS</b>		
(a) Cash on Hand	1	1
(b) Balance with Banks		
i) In Current Accounts	465	17
ii) In EEFC Accounts	122	286
iii) In Deposit Accounts	27	25
	<b>615</b>	<b>329</b>
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statements is ₹ 615 Lakhs (Pr.Yr. ₹ 329 Lakhs).		
<b>14 SHORT TERM LOANS AND ADVANCES</b>		
<b>Unsecured and Considered good</b>		
Loans and Advances to Employees	12	20
<b>Balances with Government Authorities</b>		
i) VAT Credit Receivable	5	42
Advance for Purchase	6,493	326
Others (Primarily prepaid expenses)	2	8
	<b>6,512</b>	<b>396</b>
<b>15 OTHER CURRENT ASSETS:</b>		
Income Receivables	236	960
	<b>236</b>	<b>960</b>



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

(₹ in Lakhs)

		Year Ended	
		31.03.2015	31.03.2014
<b>16</b>	<b><u>REVENUE FROM OPERATIONS</u></b>		
	Sale of Products	18,487	24,316
	Sale of Service	3	525
	Other Operating Income	2,436	2,304
	Revenue from Operations (Gross)	<b>20,926</b>	<b>27,145</b>
	Less : Excise Duty	-	-
		<b>20,926</b>	<b>27,145</b>
<b>16.1</b>	<b><u>Sale of Products</u></b>		
	Garment	18,487	23,992
	Yarn	-	323
	Fabric	-	1
		<b>18,487</b>	<b>24,316</b>
<b>16.2</b>	<b><u>Sale of Service</u></b>		
	Fabrication Income	3	525
		<b>3</b>	<b>525</b>
<b>16.3</b>	<b><u>Other Operating Income</u></b>		
	Export Incentives	1,703	1,997
	Others	733	307
		<b>2,436</b>	<b>2,304</b>
<b>17</b>	<b><u>OTHER INCOME</u></b>		
	Interest from		
	Bank Deposits	2	1
	Miscellaneous Income	89	-
		<b>91</b>	<b>1</b>
<b>18</b>	<b><u>PURCHASE OF STOCK IN TRADE</u></b>		
	<b>a) Opening Stock</b>		
	Yarn & Fabric	-	1,402
		-	<b>1,402</b>
	<b>b) Add: Purchases</b>		
	Yarn, Fabric & Garments	16,651	19,005
	Production Expenses	151	1,261
	Trims, Packing & Others (Consumption)	740	1,161
		<b>17,542</b>	<b>21,427</b>
	<b>c) Less : Closing Stock</b>		
	Yarn & Fabric	-	-
		-	-
		<b>17,542</b>	<b>22,829</b>



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

(₹ in Lakhs)

		Year Ended	
		31.03.2015	31.03.2014
<b>19</b>	<b><u>CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK IN TRADE</u></b>		
	<b>A) OPENING STOCK</b>		
	Stock-in-Process	-	147
	Stock-in-trade	827	1,544
		827	1,691
	<b>B) CLOSING STOCK</b>		
	Stock-in-trade	355	827
		355	827
		<b>472</b>	<b>864</b>
<b>20</b>	<b><u>EMPLOYEE BENEFITS EXPENSES</u></b>		
	Salaries, Wages & Bonus	-	1,451
	Contribution to Provident Fund & Other Funds	-	131
	Welfare Expenses	-	477
	Reimbursement of Expenses	147	-
		<b>147</b>	<b>2,059</b>
<b>21</b>	<b><u>FINANCE COSTS</u></b>		
	<b>Interest Expense on</b>		
	Working Capital Loans	402	150
	<b>Others</b>		
	Interest on Delayed / Deferred payment of Income Tax	3	-
	Bank Charges	72	43
	Net (Gain) / Loss on Foreign Currency Transactions & Translation	-	(55)
		<b>477</b>	<b>138</b>
<b>22</b>	<b><u>OTHER EXPENSES</u></b>		
	<b><u>Manufacturing Expenses</u></b>		
	Power & Fuel	-	231
	Consumption of Stores & Packing materials	2	12
	Insurance Charges	16	26
	<b><u>Repairs and Maintenance</u></b>		
	Building	-	12
	Machinery	3	91
	Others	-	34
	<b><u>Administration Expenses</u></b>		
	Professional Fees	19	38
	Rent	-	2
	Rates & Taxes	-	13
	Payment to Auditor (Refer Note 24)	3	3
	Travelling Expenses	-	56
	Donations	-	3
	Bad Debts Written Off	3	-
	General Expenses	16	53
	<b><u>Selling Expenses</u></b>		
	Freight & Forwarding	285	332
	Sales Commission	4	20
	Other Selling Expenses	7	53
		<b>358</b>	<b>979</b>



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

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

**23.1** Income Tax pending appeals, aggregate Tax Disputed ₹ 2,857 Lakhs (Pr.Yr ₹ 1,050 Lakhs). Sales tax pending appeals, aggregated tax disputed ₹ 10 Lakhs (Pr.Yr ₹ 10 Lakhs)

24 Payment to Auditor (₹ in Lakhs)		
Particulars	2014-15	2013-14
Audit Fees	3	3
Tax Audit and Tax Matters		-
Other Services	0	0
Cost Audit		-
Expenses (incl. Service Tax)		-
Total	3	3

**25 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 of 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.

**26 Related Party disclosures**

Disclosures under Accounting Standard 18 – Related Party Disclosure, as identified and disclosed by the management and relied upon by the Auditors:

**26.1 Name of related parties and nature of relationships:**

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 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

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

(₹ in Lakhs)			
Nature of Transaction	Enterprises owned by key management personnel / Directors or their relatives	Holding Company	Total as on 31/03/2015
Purchase of Goods / Asset	10,017	6,207	16,224
	-	(18,136)	(18,136)
Sales of Goods / Asset	481	252	733
	-	(435)	(435)
Processing / Service Charges Income	-	-	-
	-	(392)	(392)
Processing / Service Charges Expenses	-	-	-
	-	(812)	(812)
Amount Receivable	6,436	-	6,436
	-	(304)	(304)
Amount Payable	-	7,066	7,066
	-	-	-

Note: Figures in brackets relates to the previous year



**26.3 Details of major transactions with related parties****a. Purchase of goods / Asset**

Name	2014-15	2013-14
K.P.R. Mill Limited	6,207	18,136
K.P.R. Sugar Mill Limited	10,017	-
	16,224	18,136

**b. Sale of goods / Asset**

Name	2014-15	2013-14
M/s.K.P.R. Mill Limited	252	435
M/s.K.P.R. Sugar Mill Limited	481	-
	733	435

**c. Processing / Service charges Income**

Name	2014-15	2013-14
M/s.K.P.R. Mill Limited	-	392
	-	392

**d. Processing / Service charges Expenses**

Name	2014-15	2013-14
M/s.K.P.R. Mill Limited	-	812
	-	812

**e. Amount Receivable**

Name	2014-15	2013-14
M/s.K.P.R. Sugar Mill Limited	6,436	-
M/s.K.P.R. Mill Limited	-	304
	6,436	304

**f. Amount Payable**

Name	2014-15	2013-14
M/s.K.P.R. Mill Limited	7,066	-
	7,066	-

**27 Expenditure in Foreign Currency**

(₹ in Lakhs)

Particulars	2014-15	2013-14
Travel, sales commission etc.,	7	33
Value of imports on CIF basis		
Raw Material	776	134
Stores and Spare parts	-	0
Capital Goods	-	59
<b>Total</b>	<b>783</b>	<b>226</b>

**28 Earnings in Foreign Currency**

(₹ in Lakhs)

Particulars	2014-15	2013-14
Export of Goods at FOB value	17,816	22,993
<b>Total</b>	<b>17,816</b>	<b>22,993</b>

**29 Earnings Per Share (EPS)**

Particulars	2014-15	2013-14
Profit After Tax (Rs.in Lakhs)	1337	193
Weighted average number of Shares	1,00,000	1,00,000
EPS (₹) Basic & Diluted	1337.00	193.00
Face Value Per Share (₹)	10	10



### 30 Segment Reporting

The Company is mainly engaged in the business of 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)

30.1 Geographic Segment	Sales		Receivables	
	2014-15	2013-14	2014-15	2013-14
Europe	16,980	17,542	1,070	4,033
Asia	531	855	344	210
Others	305	4,596	-	130
Domestic	-	1,323	-	24
Total	17,816	24,316	1,414	4,397

### 31 Details of hedged and unhedged foreign currency exposures:

(i) Outstanding forward exchange contracts for hedging purposes as on 31st March, 2015:

Currency	Cross Currency	Amount (₹ in Lakhs)	Buy / Sell
\$	Rupees	3,644.64	Sell
		(3660.63)	Sell
€	Rupees	2,810.31	Sell
		(7,073.93)	Sell
£	Rupees	4,895.12	Sell
		(1,396.23)	Sell

Note: Figures in brackets relates to the previous year

32 During the year, pursuant to the notification of Schedule II to the Companies Act, 2013 with effect from April 1, 2014, the Company revised the estimated useful life of some of its assets to align the useful life with those specified in Schedule II. Further, assets individually costing ₹ 5,000/- or less that were depreciated fully in the year of purchase are now depreciated based on the useful life considered by the Company for the respective category of assets. The details of previously applied depreciation method, rates / useful life are as follows:

Asset	Previous Depreciation Method	Previous Depreciation rate / useful life	Revised useful life based on SLM
Factory Building	Straight Line Method	3.34% / ~ 30 years	3.17% / ~ 30 years
Non Factory building	Straight Line Method	1.63% / ~ 61 years	1.58% / ~ 60 years
Plant & Machinery	Straight Line Method	10.34% / ~ 10 years	10.34% / ~ 10 years
Electricals	Straight Line Method	7.07% / ~ 14 years	7.07% / ~ 14 years
Computers	Straight Line Method	16.21% / ~ 6 years	31.67% / ~ 3 years
Vehicles - Four Wheeler	Straight Line Method	9.50% / ~ 11 years	11.88% / ~ 8 years
Vehicles - Two Wheeler	Straight Line Method	9.50% / ~ 11 years	9.50% / ~ 10 years
Furniture	Straight Line Method	6.33% / ~ 16 years	9.50% / ~ 10 years

Pursuant to the transition provisions prescribed in Schedule II to the Companies Act, 2013, the Company has fully depreciated the carrying value of assets net of residual value, where the remaining useful life of the asset was determined to be nil as on April 1, 2014, and has adjusted an amount of ₹ Nil (net of deferred tax of ₹ Nil Lakhs) against the opening Surplus balance in the Statement of Profit and Loss under Reserves and Surplus.

The depreciation expense in the Statement of Profit and Loss for the year is higher / lower by ₹ Nil consequent to the change in the useful life of the assets.

### 33 Previous Year's Figures

The previous year figures have been regrouped / reclassified wherever necessary to conform to current year's classification.

