

KG FABRIKS LIMITED



16th Annual Report 2009 - 2010

KG Fabriks Limited

BOARD OF DIRECTORS

Chairman

Mr KG Baalakrishnan

Managing Directors

Mr B Sriramulu

Mr B Srihari

Directors

Mr A Velusamy

Mr Duraipandian Kumaravel

Mr R Rajesh

AUDITOR

Mr C A Venkatesan

Chartered Accountant

Coimbatore

INTERNAL AUDITORS

M/s Gopalaiyer & Subramanian

Chartered Accountants

Coimbatore

LEGAL ADVISORS

M/s Ramani & Shankar

Advocates

Coimbatore

BANKERS

Canara Bank

Oriental Bank of Commerce

State Bank of Patiala

Indian Overseas Bank

REGISTERED OFFICE

Plot No. FF-1

SIPCOT IGC

Perundurai - 638 052

FACTORY

Balakrishna Mill

Plot No. FF-1

SIPCOT IGC

Perundurai - 638 052



KG Fabriks Limited

Registered Office : Plot No. FF - 1, SIPCOT IGC, Perundurai - 638 052
Ph: 04294 - 329908 Fax: 0422 - 3019290 Email:csd@kgfabriks.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 16th Annual General Meeting of the members of the Company will be held at Registered Office of the Company at Plot No. FF-1, SIPCOT IGC, Perundurai - 638 052, Erode District on Wednesday the 29th day of September 2010 at 9.15 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March 2010, the Profit and Loss Account for the year ended 31st March 2010 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr KG Baalakrishnan, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and their remuneration.

The retiring Auditor Mr C A Venkatesan, Chartered Accountant, is eligible for reappointment.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

RESOLVED THAT pursuant to provisions of Section 198, 269, 309 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, as may be necessary, Shri B Srihari be and is hereby appointed as a Managing Director of the Company for a period of Five Years with effect from 29th September 2010 on the following terms: Shri B Srihari will not draw any remuneration as a Managing Director. The Company shall however, reimburse the Managing Director all expenses incurred by him for the business of the Company.

Shri B Srihari will not be liable to retire by rotation, during his tenure of office as a Managing Director."

Coimbatore
27.05.2010

By order of the Board
KG BAALAKRISHNAN
Chairman



Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxy Form in order to be effective should be received at registered office of the company not less than 48 hours before the scheduled time of the meeting.
2. Members/Proxies should bring the enclosed Attendance Slip duly filled in for attending the meeting.
3. The Register of Members of the Company and the Share Transfer Book will remain closed from 16.09.2010 to 29.09.2010 (both days inclusive).
4. Members are requested to notify change of address, if any, with PINCODE to the company quoting reference of their folio number.
5. Members are requested to bring their copy of the Annual Report to the meeting.

By Order of the Board

Coimbatore
27.05.2010

KG BAALAKRISHNAN
Chairman

Explanatory Statement under Section 173(2) of the Companies Act, 1956

Item No. 4

Shri B Srihari is associated with the company as a Director / Whole time Director / Managing Director since 26.09.1998 and his terms of office as Managing Director expires on 28.09.2010.

Shri B Srihari, 41 a Graduate Engineer in Chemical Technology from Bharathidasan University, Tamil Nadu and Master of Chemical Technology from Connell University, USA, has over 18 years of Managerial, Technical and Administrative experience in the industry. It is in the interest of the Company to have him as the Managing Director of the Company.

The terms of appointment of Shri B Srihari as Managing Director is given in the text of the resolution.

The shareholders are requested to approve the appointment of Managing Director on such terms as set out in the resolution.

Shri B Srihari, being the appointee concerned and Shri KG Baalakrishnan, Chairman and Shri B Sriramulu, Managing Direction being relative of the said appointee may be deemed to be interested in proposed resolution.

The explanation together with the accompanying the notice may also be considered as an abstract of the terms of the appointment of Managing Director and Memorandum as to the nature of the concern or interest of the Directors in the said appointment, as required under Section 302 of the Companies Act, 1956.

By Order of the Board

Coimbatore
27.05.2010

KG BAALAKRISHNAN
Chairman

KG Fabriks Limited

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors are pleased to present the Sixteenth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2010.

FINANCIAL RESULTS

	Year ended 31.03.2010	(Rs. in lakhs) Year ended 31.03.2009
Gross Profit	1308.82	537.25
Interest	815.71	798.57
Profit / Loss + / (-) Before Depreciation	493.11	-261.32
Depreciation	325.32	506.09
Net Profit / Loss + / (-) Before Tax	167.79	-767.41

OPERATIONS

The Company had achieved increased production, sales level and higher sales realisation compared to previous year and Company has earned net profit for the financial year.

OUTLOOK

The Company is taking efforts to improve the profitability by increasing the productivity and by the increased production of value added products and the performance of the Company is expected to improve in the ensuing years.

DIRECTORS

Mr KG Baalakrishnan, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment.

AUDIT COMMITTEE

The Audit Committee of the Company comprises of the following Directors

1. Mr B Srihari *Managing Director*
2. Mr A Velusamy *Non Executive Director*
3. Mr Duraipandian Kumaravel *Non Executive Director*

AUDITORS

The Auditor, Mr C A Venkatesan, Chartered Accountant, retires at the conclusion of the ensuing Annual General Meeting and is eligible for reappointment.



DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217 (2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000 the Directors of your Company confirms:-

- that all applicable accounting standards have been followed in the preparation of annual accounts and there are no material departure;
- that such accounting policies have been selected and applied consistently and such judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the Profit/Loss of the Company for the year ended on the date;
- that proper and sufficient care has been taken for the 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 fraud and other irregularities;
- that the annual accounts have been prepared on a going concern basis.

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

The particulars as prescribed under Section 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure which forms part of the Directors' Report.

ADDITIONAL DISCLOSURES

The Company does not have any employee drawing the remuneration referred in Section 217 (2A) of the Companies Act, 1956.

PERSONNEL

The Industrial relations were cordial during the year under review.

ACKNOWLEDGEMENT

Your Directors express their appreciation for the co-operation extended by the Bankers, Customers and Employees at all levels and offer their sincere thanks for the same.

Our humble prayers to Lord Venkateswara, Then Thirumalai Sri Venkatachalapathy, Lord Muruga and Goddess Sri Saradambal for the continued prosperity of the Company.

For and on behalf of the Board

Coimbatore
27.05.2010

KG BAALAKRISHNAN
Chairman

ANNEXURE TO DIRECTORS' REPORT

Particulars pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A Conservation of Energy

- a) Energy Conservation measures taken:
A study in the energy conservation aspect is being conducted and the corrective measures being taken.
- b) Additional investments and proposals being implemented for reduction of consumption of energy: Nil
- c) Impact of measures (a) & (b) above for reduction of energy consumption and consequent impact on cost of production: Not Applicable

KG Fabriks Limited

FORM A

Form for disclosure of particulars with respect to conservation of energy

A. Power and Fuel Consumption	31.03.2010	31.03.2009
Electricity		
a) Purchased		
Units (in thousands)	9097	8973
Total amount (Rs. in thousands)	42957	34609
Rate per unit (Rs.)	4.72	3.86
b) Own generation:		
i) Through Diesel Generator Units (in thousands)	1225	705
Units per Ltr of Diesel Oil	3.61	3.48
Cost/Unit (for Diesel only)	8.66	10.34
ii) Through Steam/Turbine Generator	-	-
B Power and Fuel Consumption		
Electricity – Units per Metre	1.00	0.90

Particulars pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

FORM B

A Research and Development (R & D)

Company is intending to set up an in-house system to improve the quality and to explore product development / value addition / diversification.

B Technology Absorption

Indigenous technology alone is used.

C Foreign Exchange Earnings and Outgo

Total foreign exchange used and earned

Used Rs. 225.16 lakhs

Earned Rs. 478.96 lakhs

For and on behalf of the Board

Coimbatore
27.05.2010

KG BAALAKRISHNAN
Chairman

ADDENDUM TO THE REPORT OF THE BOARD OF DIRECTORS ON THE REMARKS OF THE AUDITORS IN THEIR REPORT FOR THE YEAR ENDED MARCH 31, 2010

As regards, the remarks of the Auditors, Directors desire to submit that the change in rate of depreciation of Plant and Machinery from general rate to continuous process rate is based on review of intrinsic machine configuration.

For and on behalf of the Board

Coimbatore
27.05.2010

KG BAALAKRISHNAN
Chairman



AUDITOR'S REPORT TO THE MEMBERS OF KG FABRIKS LIMITED

1. We have audited the attached balance sheet of **KG FABRIKS LIMITED** as at **31st March 2010** and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit programme provides a reasonable basis to formulate our opinion.
3. As required by the Companies [Auditor's Report] Amendment Order, 2004 issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, 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 appears from our examination of those books;
 - c) The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and the Profit and Loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) In accordance with the informations and explanations given to us, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
5. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the notes there on give the information required by the Companies Act 1956, in the manner so required subject to

change in charge of rate of depreciation from general rate to continuous process rate in respect of Processing Plant and Machinery and Electrical Machinery, consequently the depreciation is understated by Rs.184.55 lakhs for the year and Rs.460.84 lakhs relating to previous year and Networth is overstated by Rs.645.39 lakhs. Refer Note No.17 of Notes of Accounts in Schedule 23,

give a true and fair view in conformity with the accounting principles accepted in India:

- a. In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2010 and
- b. In the case of Profit and Loss account, of the **PROFIT** for the year ended on that date;

Coimbatore
27-05-2010.

C A Venkatesan
M.No. 19753
Chartered Accountant