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CERTIFIED TRUE COPY
For Kovilpatti Lakshmi Roller
Flour Mills Ltd.
V. N. Varghese
EXECUTIVE DIRECTOR

1998

Annual Report

Kovilpatti Lakshmi Roller Flour Mills Limited



Kovilpatti Lakshmi Roller Flour Mills Limited

Board of Directors

V. JAGANNATHAN

Chairman

K. SELVARAJ

N.V. SRINIVASAN

J. CHANDRAKANTHI

Managing Director

SURESH JAGANNATHAN

Joint Managing Director

V.N. JAYAPRAKASAM

Executive Director

SUDARSANVARADARAJ

M. KARTHIK

IFCI Nominee

Auditor

P. Marimuthu, B.Com., F.C.A.

Chartered Accountant, Tirunelveli

Bankers

Canara Bank

IDBI Bank Ltd.,

Registered Office

Gangaikondan - 627 352

Administrative Office

1054/21, Avanashi Road

Coimbatore - 641 018

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Flour Mill & Textile Division - I

Gangaikondan - 627 352

Sheet Metal Division

Perianaickenpalayam

Coimbatore - 641 020

Textile Division - II

N. Subbiahpuram - 626 205

Kovilpatti Lakshmi Roller Flour Mills Limited**NOTICE**

Notice is hereby given that the Thirtysixth Annual General Meeting of the Company will be held on Monday the 28th September, 1998 at 11.00 a.m., at the Company's Registered Office at Gangaikondan, Tirunelveli District to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Profit and Loss account for the year ended 31st March, 1998 the Balance Sheet as at that date and the report of the Directors and Auditor.
2. To declare a dividend.
3. To appoint a Director in the place of Sri.V.Jagannathan who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Sri.K.Selvaraj who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditor and fix his remuneration.

SPECIAL BUSINESS

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

"Resolved that pursuant to Section 228 (3) of the Companies Act, 1956 Sri. C.N. Srivatsan, Chartered Accountant be and is hereby appointed as Branch Auditor of the Company to hold office upto the conclusion of the next Annual General Meeting to audit the books of accounts of the Sheet Metal Division for the financial year 1998-99 on such remuneration as may be determined by the Managing Director."

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956**Item No. 6**

As per Sec. 228 (3) of the Companies Act, 1956, Branch Auditors are required to be appointed at the general meetings. Accordingly, Auditors are being appointed at every annual general meeting for the respective financial year to audit the accounts of Sheet Metal Division of our Company.

The proposed resolution set out in Item No. 6 of the notice seeks the authorisation of the members to appoint Auditors for the year 1998-99.

None of the directors is in any way concerned or interested in this resolution.

Date : 18th May, 1998
Place : Gangaikondan

By order of the Board
V. JAGANNATHAN
Chairman

Kovilpatti Lakshmi Roller Flour Mills Limited**NOTES :**

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy, such proxy need not be a member of the Company.
2. The Register of members and share transfer books of the Company will remain closed from 16th to 28th September 1998 (both days inclusive).
3. Shareholders are requested to address their correspondence with the Company, mentioning the folio number to facilitate immediate response.
4. Members are requested to intimate their Bank Account Number, Branch details for incorporating the same in Dividend Warrants to the Company quoting their respective folio numbers.
5. Pursuant to Section 205 - A of the Companies Act, 1956, unclaimed dividends upto and including for the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants relating to financial year(s) upto 1993-94 may claim the same from the Registrar of Companies, No. 26, Haddows Road, Chennai - 600 006, in the prescribed form which will be supplied by the Company on request.
6. **Members who are holding shares in more than one folio are requested to write to the Company immediately enclosing their share certificate(s) for consolidation of their holdings in one folio.**

Kovilpatti Lakshmi Roller Flour Mills Limited**REPORT OF THE DIRECTORS**

Dear Shareholders,

The Directors are pleased to present their Thirtysixth Annual Report together with the audited statement of accounts for year ended 31st March, 1998.

FINANCIAL RESULTS

	31.03.1998	31.03.1997
	(Rs. in Lakhs)	
Profit before financial charges and depreciation	575.63	717.88
Less : Financial charges	274.24	287.61
Profit before depreciation	301.39	430.27
Less : Depreciation	176.86	199.87
Profit before tax	124.53	230.40
Less : Provision for tax	10.91	29.72
Net Profit after tax	113.62	200.68
Transfer from Investment Allowance Reserve	—	5.78
Transfer from Debenture Redemption Reserve	80.00	90.00
Balance profit from previous year	74.57	72.24
Profit available for appropriation	268.19	368.70
Appropriations		
Proposed Dividend	41.85	39.12
Provision for Dividend Tax	4.19	3.91
Transfer to General Reserve	92.00	251.10
Balance to be carried forward	130.15	74.57
	268.19	368.70

REVIEW OF OPERATIONS :**Economic Scenario**

The inflation has been contained and the credit availability has been satisfactory. Foreign Exchange fluctuations during the last quarter, consequent to South East Asia turmoil was the most upsetting factor, which had a very serious and significant impact on the export efforts during the last quarter of the year. The GDP growth has been unsatisfactory and the forecast is none too encouraging for 98-99.

Kovilpatti Lakshmi Roller Flour Mills Limited**RESULTS**

The Company's profits suffered a setback in the second half of this year. The company earned a pre-tax profit of Rs. 124.53 lakhs for the year. The turnover was Rs. 66.75 crores.

Flour Mill operations registered a loss due to high wheat prices and lower price realisations. Textiles Division posted profits for the year despite the severe set back in the export front during the last quarter of the year. The Sheet Metal Division registered the expected profits inspite of recessionary condition in the first half. On the whole the Company recorded a profit of Rs. 124.53 lakhs during a difficult year.

OUTLOOK FOR THE YEAR

Uncertainties on the cotton availability, high prices of cotton and export slump is bound to affect the profitable operations. The foreign exchange crisis in the Asian Region and a shortfall in the yield of cotton crop for 97-98 and a 30% power cut have seriously upset the calculations of the management of even the most efficient spinning mills. A slump in the export of yarn and cloth together with the higher cotton prices and lower realisation per unit has further aggravated the situation. Both quality and quantity have been affected by the vagaries of weather. Wheat supply situation is none too encouraging and the year 1998-99 does not augur well for the industry. Government policy on wheat supplies and cotton supplies will hold the key to the success of operations, in the current year. It will not be easy to sustain the growth in the changed situation and a helpful policy of government and increase in yield of cotton crop during 98-99 alone can save the situation for the Textile Industry.

FINANCE

The Company managed to operate with need based increased limits sanctioned by the Bankers and the position was by and large satisfactory.

DIVIDEND

The Directors have recommended a tax-free dividend of 20% due to the need to conserve cash resources during a difficult year in store.

FIXED DEPOSITS

The Company continued to accept fixed deposits during the year and there were no unclaimed deposits as on 31.3.1998.

GENERAL

Particulars as per Section 217(2A) of the Companies (Particulars of Employees) Rules 1975 are annexed to the Report. A statement giving details of conservation of energy, technological absorption, exports, foreign exchange earnings and outgo in accordance with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 are annexed.

Kovilpatti Lakshmi Roller Flour Mills Limited

During the year under review Industrial Relations continued to be cordial.

Mr. P. Marimuthu, B.Com., F.C.A., will retire at the forthcoming Annual General Meeting and is eligible for re-appointment.

Your Directors acknowledge with gratitude, the co-operation and assistance of IDBI Bank, Canara Bank, Housing Development Finance Corporation Ltd., ICICI, IDBI, IFCI, IIBI, LIC, GIC and its subsidiaries, and SIPCOT.

The Directors would like to thank all employees, shareholders, fixed deposit holders and customers for their continued support.

May the Almighty Goddess Lakshmi continue to shower HER choicest blessings and grant us prosperity in the years to come.

Date : 18th May, 1998
Place : Gangaikondan

By order of the Board
V. JAGANNATHAN
Chairman

Kovilpatti Lakshmi Roller Flour Mills Limited

Information in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors Report for the year ended 31st March, 1998.

CONSERVATION OF ENERGY

- | | |
|--|-----|
| 1. Energy conservation measures taken | Nil |
| 2. Additional investment and proposals if any, being implemented for reduction of consumption of energy | Nil |
| 3. Impact of the measures of (1) & (2) above for reduction of energy consumption and consequent impact on the cost of production of goods. | Nil |
| 4. Total energy consumption and energy consumption per unit of production (Textile division) | |

A. POWER AND FUEL CONSUMPTION

	Current Year	Previous Year
1. Electricity		
(a) Purchased (units)		
(from T.N.E.B.)	1,14,48,608	1,22,96,775
Total amount (Rs.)	3,82,39,042	3,42,20,916
Rate/Unit (Rs.)	3.34	2.78
(b) Own generation		
i. Through diesel generator (units)	14,04,542	6,84,389
Units per Ltr of diesel oil	3.21	3.05
Cost/per unit (Rs.)	3.63	3.37
ii. Through steam turbine/generator	Nil	Nil
Units per Ltr of fuel		
Oil / Gas		
Cost / Unit		
2. Coal	Nil	Nil
Qty. (tonnes)		
Total Cost		
Avg. Rate		
3. Furnace Oil	Nil	Nil
Qty. (K.Lts)		
Total amount		
Avg. Rate.		
4. Wind Mill Generation		
Qty. (Units)	15,53,271	13,37,060
Total cost (Rs.)	55,22,684	31,96,114
Rate / Unit (Rs.)	3.56	2.39

Kovilpatti Lakshmi Roller Flour Mills Limited**(B) CONSUMPTION PER UNIT OF PRODUCTION****Current Year Previous Year**

Standards (If any)

Cotton yarn in kgs

40,61,129 45,40,733

Electricity per unit of production

3.16 2.86**B. TECHNOLOGY ABSORPTION**1. Specific areas in which R & D
carried out by the company**Not applicable**

2. Benefit derived as a result of the above R&D

Not applicable

3. Future plan of action

Not applicable

4. Expenditure on R&D

Not applicable

a. Capital

b. Recurring

c. Total R & D expenditure as a percentage
of gross turnover / net turnover

Technology absorption, adaptation and innovation

1. Efforts in brief, made towards technology
absorption, adaptation and innovation.**Not applicable**2. Benefits arrived as a result of the above efforts,
eg., product improvement, cost reduction,
product development, import substitution etc.,
innovation**Not applicable**

3. Technology imported

Not applicable**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

1. Activities relating to exports

Nil2. Initiative taken to increase exports and
development of new exports markets for
products & services and exports plans.Efforts are on for developing
new export markets for
cotton yarn

3. Total Foreign Exchange

Used

Rs. 41.75 Lakhs

Earned

Rs. 398.87 Lakhs