

Annual Report

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Kovilpatti Lakshmi Roller Flour Mills Limited

Board of Directors

V.JAGANNATHAN

Chairman

J.CHANDRAKANTHI

Vice Chairman

K.SELVARAJ

N.V.SRINIVASAN

SUDARSAN VARADARAJ

SURESH JAGANNATHAN

Managing Director

V.N.JAYAPRAKASAM

Executive Director

Auditor

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

Chartered Accountant, Tirunelveli

Bankers

Canara Bank

IDBI Bank Ltd.,

Registered Office

75/8, Benares Cape Road

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

Periyanaickenpalayam

Coimbatore - 641 020

Textile Division - II

N.Subbiahpuram - 626 205

Kovilpatti Lakshmi Roller Flour Mills Limited**NOTICE**

Notice is hereby given that the thirtyninth Annual General Meeting of the Company will be held on Friday, the 28th September, 2001 at 10.00 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, 2001, the Balance Sheet as at that date and the reports of the Directors and Auditor.
2. To declare a dividend.
3. To appoint a Director in the place of Sri.N.V.Srinivasan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri.Sudarsan Varadaraj, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Smt.J.Chandrakanthi, who retires by rotation and being eligible, offers herself for re-appointment.
6. To appoint an Auditor and fix his remuneration.

SPECIAL BUSINESS

7. **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 2001-2002 on such remuneration as may be determined by the Managing Director."

8. **To consider re-appointment of Sri.V.Jagannathan as Non Executive Chairman of the Board of Directors of the Company for a period of five years from 01.10.2001 to 30.09.2006.**

To consider and if thought fit, to pass, with or without modification, the following resolution as a special resolution.

"Resolved that Sri.V.Jagannathan be appointed as the Non Executive Chairman of the Board of Directors of the Company for a period of five years from 01.10.2001 to 30.09.2006."

"Resolved that in consideration of the following services to be rendered by Sri.V.Jagannathan, as Non Executive Chairman of the Board of Directors of the Company, be paid by way of commission calculated at 1% (one percent) of the Net Profit of the Company complied in manner laid down in the Companies Act, 1956:

1. Presiding over meetings of the Board at which he is present.

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2. Presiding over General Meetings of the Company at which he is present.
3. Presiding over any meeting of a committee of the Board of which he is a member.
4. To guide the management in policy matters pertaining to finance, administration, marketing, expansion and diversification.

PERQUISITES

The following perquisites shall be allowed.

1. Leave travel concession for him and his family once in a year.
2. Reimbursement of expenditure incurred on gas, electricity, water, furnishing and appliances.
3. Club expenses subject to a maximum of Rs.5,000/- per month, shall be reimbursed except admission and life membership fees.
4. Health and personal accident insurance cover for him.
5. Reimbursement of travelling expenses incurred by him of the Company's business.
6. Provision of a telephone and car.

"Resolved further that no sitting fees shall be paid to him for attending any meeting of the Board of Directors or committee of the Board when he is in receipt of commission under this resolution."

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

"Resolved that Sri.S.Govindan who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of the Director of the Company, be and is hereby appointed as a Director of the Company."

10. **To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.**

"Resolved that subject to the provisions of Sections 198, 269 (read with Schedule XIII of the Companies Act, 1956) 309 and other applicable provisions of the Companies Act, 1956 Sri.S.Govindan be and is hereby appointed as Director-Textiles of the Company for a period of three years with effect from 01.08.2001 to 31.07.2004 on the terms and conditions set out below:

- I. Salary: Rs.27,000/- per month with an annual increment of Rs.3500/-.
- II. Perquisites: In addition to salary, perquisites shall be allowed as detailed below:

The following perquisites shall be allowed subject to a maximum of 40% of the salary.

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- i) Leave travel concession for him and his family once in a year.
- ii) Reimbursement of expenditure incurred on gas, electricity, water, furnishing and appliances.
- iii) Club expenses subject to maximum of Rs.3000/- per month shall be reimbursed except admission and life membership fees.
- iv) Health and Personal Accident Insurance cover for him.
- v) Reimbursement of medical expenses incurred for himself and his family.

Others

Provision of telephone and car.

The Director-Textiles shall also be eligible for the following benefits which shall not be included in the computation of ceiling on the remuneration.

- i) Contribution to Provident Fund, Superannuation Fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act.
- ii) Payment of Gratuity at the end of the tenure shall not exceed half a month's salary for each year of completed service or at the rate as may be notified by the Government from time to time.

11. To consider and if thought fit to pass with or without modification, the following resolution as a special resolution.

Resolved that Pursuant to Section 31 of the Companies Act, 1956 and other applicable provisions, if any, the following articles be and are hereby added after the existing article No.42 (a).

42 (b) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its securities and to offer securities in a dematerialized form pursuant to the Depositories Act, 1996 or any other enactments in this regard and a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

42 (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

42 (d) Nothing contained in Section 108 of the Companies Act, 1956 or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

Kovvipatti Lakshmi Roller Flour Mills Limited**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956****Item No.7**

As per Section 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 the Sheet Metal Division of our Company.

The proposed resolution set out in Item No.7 of the notice seeks the authorization of the members to appoint Auditors for the year 2001-2002.

None of the Directors are in any way concerned or interested in this resolution.

Item No.8

The Board of Directors have decided to appoint Sri.V.Jagannathan as Non Executive Chairman of the Board for a period of five years from 1.10.2001. Pursuant to Section 309, payment of remuneration by way of commission on Net Profit will require shareholders' approval. Therefore, the resolution No.8 is placed before the shareholders' meeting for their approval.

Item No.9

Sri.S.Govindan was appointed as an Additional Director by the Board of Directors of the Company. Pursuant to Section 260 of the Companies Act, 1956, he holds office only upto the date of this Annual General Meeting. The Company has received notice in writing under Section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- from a member proposing Sri.S.Govindan as a candidate for the office of the Director. Therefore, the resolution No.9 placed before the Shareholders' for their approval.

Sri.S.Govindan is interested in the resolution as it concerns his appointment. No other Directors are directly or indirectly concerned or interested in this resolution.

Item No.10

Sri.S.Govindan, a qualified textile technologist has been with the Company for more than 19 years in various capacities. The Board of Directors at their meeting held on 1st June, 2001 have appointed him as Director-Textiles for a period of three years with effect from 01.08.2001 on terms and conditions set out in the resolution included in the notice.

In terms of Sections 269 and 309 read with Schedule XIII of the Companies Act, 1956 the said appointment, payment of remuneration and other perquisites require the approval of shareholders' in General Meeting as contemplated therein.

Full particulars of the remuneration and perquisites proposed to be paid are set out in the resolution and are within the limits under Schedule XIII of the Companies Act, 1956.

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Sri.S.Govindan is interested in the resolution as it concerns his appointment. No other Directors are directly or indirectly concerned or interested in this resolution. This is to be regarded as an abstract of terms and memorandum of interest under Section 302 of the Companies Act, 1956.

Item No.11

The existing Articles of Association does not permit the Company for entering agreement with Depositories for dematerialisation of Company shares. Hence, it has become necessary to amend the Articles of Association of the Company, by inserting the new clauses No.42 b, (c) and (d) to provide necessary powers to the Board of Directors for entering into an agreement with Depositories. Any amendment in respect of the articles of association which requires shareholders approval. Therefore, the resolution No.11 placed before the Shareholders' for their approval.

NOTES:

1. A member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. Instrument appointing a proxy should be deposited at the Registered Office of the company not less than 48 hours before the commencement of the meeting.
3. The register of members and share transfer books of the Company will remain closed from 16th to 28th September, 2001 (both days inclusive).
4. Pursuant to Section 205-A, of the Companies Act, 1956, unclaimed dividends upto and including for the financial year 1994-95 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 1994-95 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.
5. Members are requested to intimate their Bank Account Number and branch details for incorporating the same in dividend warrants to the Company quoting their respective folio numbers.
6. Shareholders are requested to address their correspondence with the Company mentioning the folio number to facilitate immediate response.
7. 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.

By Order of the Board

Date : 1st June, 2001
Place : Gangaikondan

V.JAGANNATHAN
Chairman

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

Dear Shareholders,

The Directors are pleased to present their thirtyninth Annual Report together with the audited statement of accounts for year ended 31st March, 2001.

FINANCIAL RESULTS

| | 31.03.2001 | 31.03.2000 |
|--|-------------------|-------------------|
| | (Rs.in lakhs) | |
| Profit before financial charges and depreciation | 576.81 | 470.05 |
| Less: Financial charges | 266.46 | 190.89 |
| Profit before depreciation | 310.35 | 279.16 |
| Less: Depreciation | 148.84 | 152.84 |
| Profit before tax | 161.51 | 126.32 |
| Less: Provision for tax | 55.79 | 46.27 |
| Net Profit after tax | 105.72 | 80.05 |
| Transfer from Investment Allowance Reserve | — | 18.42 |
| Balance profit from previous year | 52.90 | 48.93 |
| Profit available for appropriation | 158.62 | 147.40 |
| Appropriations | | |
| Proposed dividend | 33.48 | 31.39 |
| Provision for dividend tax | 3.42 | 7.11 |
| Transfer to Debenture Redemption Reserve | 51.00 | 51.00 |
| Transfer to General Reserve | 8.00 | 5.00 |
| Balance to be carried forward | 62.72 | 52.90 |
| | 158.62 | 147.40 |

REVIEW OF OPERATIONS**RESULTS**

The turnover of the Company has increased to Rs.81.53 crores, registering an increase of 7.66% compared to previous year. The Company has earned a pre-tax profit of Rs.161.51 lakhs. The operations of all units of the Company are satisfactory, resulting in increased turnover and profitability. The operational results of the flour mill continues to be satisfactory and working results in textile division has improved due to favourable price parity of cotton and yarn. The flour mill and sheet metal units of the Company have been awarded ISO 9002 certifications during the year.

OUTLOOK FOR THE YEAR

The scarcity in the availability of good quality wheat in the market at an economical price and at the FCI will have an impact on the profitability of the Flour Mills Division.

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In view of the liberalization of the country's economy, the textile industry will no more be insulated from the international market conditions. The slowdown in the US, European and Asian economies will have an impact on our exports during the current year. The continued uneconomical yarn prices in the domestic market will impinge on the margins of the Textile Divisions.

Your Company is making continuous efforts to control the cost of production and to improve the quality of finished products to improve profits. Your Directors anticipate greater pressure on the margin of the Company due to the external factors described above.

FINANCE

Your Company has availed a loan amount of Rs.162.50 lakhs under TUF scheme from IDBI to modernise the manufacturing facility in the Textile Division. IREDA has sanctioned a term loan for Rs.472 lakhs for setting up of a 1.50 M.W. Wind Farm project to generate electricity at Pazhavoor Village, Tirunelveli District, Tamil Nadu. The Wind Mill project has been commissioned on 3rd April, 2001.

CORPORATE GOVERNANCE

Since your Company's paid up share capital is Rs.2.09 crores which is less than the minimum amount of Rs.3 crores prescribed in the listing agreement clause No.45, Corporate Governance is not mandatory.

DIVIDEND

The Directors have recommended a tax free dividend of 16%.

FIXED DEPOSITS

The Company continued to accept fixed deposits during the year and there were no unclaimed deposits as on 31.03.2001.

DIRECTORS

Sri.N.V.Srinivasan, Smt.J.Chandrankanthi and Sri.Sudarsan Varadaraj retire by rotation at the ensuing Annual General Meeting of the Company and are eligible for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2001, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.