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2006

Annual Report

Kovilpatti Lakshmi Roller Flour Mills Limited

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Kovilpatti Lakshmi Roller Flour Mills Limited

Board of Directors

N.V. SRINIVASAN
SUDARSAN VARADARAJ
S. GOVINDAN
K. GNANASEKARAN
J. CHANDRAKANTHI
Vice Chairman
SURESH JAGANNATHAN
Managing Director
V.N. JAYAPRAKASAM
Executive Director
R. SETHUMADHAVAN
Nominee Director – IREDA

Auditor

P. MARIMUTHU, B.Com., F.C.A.
Chartered Accountant, Tirunelveli
Membership No. 5770

Bankers

Canara Bank
Indian Overseas Bank

Registered Office

75/8, Benares Cape Road
Gangaikondan – 627 352

Administrative Office

1054/21, Avanashi Road
Coimbatore – 641 018

Foods Division

Gangaikondan – 627 352
Coimbatore – 641 020

Textile Division

Gangaikondan – 627 352
N. Subbiahpuram – 626 205

Kovilpatti Lakshmi Roller Flour Mills Limited**NOTICE**

Notice is hereby given that the Fortyfourth Annual General Meeting of the Company will be held on Wednesday the 28th June, 2006 at 9.30 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 Balance Sheet as at 31.03.2006 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditor thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Sri.Sudarsan Varadaraj, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Sri.S.Govindan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint an 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, M/s Srivatsan and Gita, Chartered Accountants, be and are 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 Coimbatore branch for the financial year 2006 - 2007 on such remuneration as may be determined by the Managing Director."

7. To consider re-appointment of Sri.V.N.Jayaprakasam, Executive Director.

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

Resolved that in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force or any amendments and / or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto), the consent of the Company be and is hereby accorded to the re-appointment of Sri.V.N.Jayaprakasam as a Executive Director of the Company, for a further period of 2 (two) years with effect from 1.7.2006 on the following terms and conditions with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions of the remuneration within the overall limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof, for the time being in force or any amendments and / or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto.

Remuneration**I) Salary**

Rs.60,000/- per month with an annual increment of Rs.6000/-

II) Commission

0.50% of the Net Profit of the Company computed in accordance with Sections 198, 309 and 349 of the Companies Act, 1956 subject to a maximum of Rs.5 lakhs.

Kovilpatti Lakshmi Roller Flour Mills Limited**III) Perquisites**

In addition to salary and commission perquisites shall be allowed as detailed below :

Category "A"**1. Housing**

Unfurnished accommodation will be provided. In its absence 60% of the salary will be paid as house rent allowance.

2. Other perquisites:

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

- (a) Reimbursement of medical expenses incurred for self and his family
- (b) Leave Travel Concession for self and his family
- (c) Reimbursement of expenditure incurred on gas, electricity, water, furnishings and appliances.
- (d) Reimbursement of club expenses subject to a maximum of Rs.3000/- per month except admission and life membership fees.
- (e) Health and personal accident insurance cover for self.

Category " B"

Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites. Gratuity payable shall not exceed 15 days for each completed year of service.

Category "C"

Provision of telephone and car.

"Resolved further that in the event of no profit or inadequacy of profit, the remuneration payable to Sri.V.N.Jayaprakasam, Executive Director shall not exceed the limit specified in Section II of Part II of Schedule XIII of the Companies Act, 1956, as modified from time to time or such other limits as may be notified by the Government from time to time as minimum remuneration".

The aforesaid remuneration has approved by the Remuneration Committee in its meeting held on 2nd May, 2006.

ANNEXURE TO NOTICE**Explanatory Statement under Section 173 (2) of the Companies Act, 1956****Item No.6**

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 Coimbatore branch of our Company.

The proposed resolution set out in Item No.6 of the Notice seeks the authorization of the members to appoint Branch Auditors for the year 2006-2007.

None of the directors of the company is, in any way, concerned or interested in the said resolution.

Item No.7

The present tenure of Sri.V.N.Jayaprakasam, Executive Director shall be expiring by 30th June, 2006. The Board of Directors consider that it will be in the interest of the company to continue to have the benefits of the service and advice of the Executive Director. In view of the knowledge and experience in the industry, the Company can utilize his services for the future growth by the proposed re-appointment as Executive Director for another term of two years with effect from 1.7.2006.

Kovilpatti Lakshmi Roller Flour Mills Limited

In terms of Sections 269, 309 and 310 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.

None of the Directors except Sri.V.N.Jayaprakasam is interested in the resolution. This is to be regarded as an abstract of terms and memorandum of interest under Section 302 of the Companies Act, 1956.

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 June 2006 to 28th June, 2006 (both days inclusive).
4. Pursuant to Section 205-A, of the Companies Act, 1956, unclaimed dividends upto and including 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 and including 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 / Registrar and Transfer Agent on request.
5. In terms of the amendment to Section 205 A and introduction of Section 205C by the Companies (Amendment) Act, 1999, dividend for the financial year from 1995-1996, 1996-1997 and 1997-1998 have already been transferred to Investors' Education and Protection Fund.
6. Members who have till date not encashed their dividend warrants for the financial year 1998-1999 or any subsequent financial years are advised to claim the dividend from the Company after filing Indemnity / any other proof for their unclaimed dividend at the earliest. It may also be noted that once unclaimed dividends are transferred to the Investors' Education and Protection Fund, Members will lose their claim on these dividends.
7. Members are requested to intimate their bank account number and branch address with their Folio No. to the Registrar and Transfer Agent for incorporation in the dividend warrants. Members are also requested to address all related correspondence to the Registrar and Transfer Agent whose address is given below:
 INTIME SPECTRUM REGISTRY LTD
 'SURYA', 35, MAYFLOWER AVENUE,
 BEHIND SETHIL NAGAR
 SOWRI PALAYAM ROAD, COIMBATORE-641 028.
8. Members who are holding shares in more than one folio are requested to write, to the Registrar and Transfer Agent immediately enclosing their share certificate (s) for consolidation of their holdings in one folio.

By Order of the Board

N.V. Srinivasan

Chairman of the Meeting

Date : 4th May, 2006

Place : Gangaikondan

Kovilpatti Lakshmi Roller Flour Mills Limited**DIVIDEND**

Your Directors have recommended a dividend of 20 % on the paid-up equity share capital of the Company for the year ended 31st March, 2006.

INVESTMENTS MADE IN THE YEAR**Flour Mill Division**

An investment of Rs.110 lakhs has been made to improve infrastructure for storage and handling of wheat and for improvement of product quality.

Textile Division

An amount of Rs.275 lakhs invested for augmenting spinning productivity and to achieve an optimum balance with flexibility in processing capacities in the various critical sections of the spinning plant.

Wind Mill Division

An additional generation capacity of 2.50 MW for captive consumption at a cost of Rs.1229.77 lakhs has been implemented.

OUTLOOK FOR THE YEAR

The operations of your company have shown improvement over the previous year due to the continual efforts made in cost reduction and quality improvements of the products. Your Company has initiated several steps towards enhancing efficiency of operation and cost reduction. As a result, the Company hopes to achieve improved profitability in coming years.

OPPORTUNITIES, CHALLENGES, RISKS AND CONCERNS

Presently your Company is engaged in wheat flour milling, cotton yarn spinning and a low volume engineering manufacture.

The Flour Mill Industry has recorded a compounded annual growth rate of 5% over the past few years. Rapidly changing food habits and life style changes have created an enormous demand for wheat products. Flour Mill industry is very location specific and a single flour mill can address a market area of 200 sq.kms., around the mill as the cost of freight beyond this area renders the product uncompetitive on pricing.

The markets for cotton yarn is growing year after year and the India is the second largest producer of cotton yarn and fabric. The quota system for export of textile has been abolished since the beginning of this year. Consequently the combined textile exports have been growing at the rate of 15% which has resulted in good demand for cotton yarn.

We foresee a bright prospect for both industries.

The hardening of interest rates, increase in material and other input cost, fluctuation in foreign currency rates, fierce competition are challenges for both the Industries.

Any economic slow down, inflationary pressure and spiraling of input cost due to external factor may influence the profitability of the Company. However, your company is well equipped with strong, specialized and experienced management team to constantly monitor the development and to take timely action to minimise any adverse impact.

Kovilpatti Lakshmi Roller Flour Mills Limited**INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

Planned periodic reviews are carried out resulting in identification of control deficiencies and formulation of time bound action plans to improve efficiency. The adequacy of the internal control systems are reviewed by the Audit Committee of the Board of Directors. This, supplemented with existing periodical management reviews, will enable the company to improve its monitoring system at all levels.

The company has internal control procedures commensurate with its size and the nature of its business for purchase of raw materials, plant & machinery, components and other items and sale of goods.

SEGMENT-WISE AND PRODUCT-WISE PERFORMANCE

Segment-wise and product-wise results are given separately under segment reporting

FINANCE

The final call for the 616950 partly paid equity shares has been called and fully paid.

It is proposed to issue 26 lakhs equity shares at Rs.70/- each to public for augmenting the resources to invest in the foundry unit, establishing two wind mills and for long term working capital needs.

It is proposed to acquire upto a maximum of 75 % of the equity shares of Eltex Super Castings Ltd., at a cost of Re.1 per share at a total investment of Rs.21.26 lakhs to acquire the cast iron foundry unit to strengthen the engineering operation of the Company. It is also proposed to invest Rs.1700 lakhs to make the foundry unit operational out of the proposed public issue of Rs.1820 lakhs. Company has already established two wind mills of 1.25 MW at a cost of Rs.1229.77 lakhs.

Canara Bank, Tirunelveli Junction and Indian Overseas Bank, Tirunelveli Town have sanctioned a sum of Rs.974 lakhs term loan for setting up of an additional 2.50 MW Wind Mill for captive consumption. Wind Mills were commissioned on 25th March, 2006. Your company continued to avail need based working capital facilities from Canara Bank and Indian Overseas Bank.

CORPORATE GOVERNANCE

A report on Corporate governance is annexed to this report. The Company has complied with the conditions relating to the above as stipulated in Clause 49 of the listing agreement. The certificate from the statutory auditor relating to the above is annexed.

FIXED DEPOSITS

The Company continued to accept fixed deposits during the year and there were no unclaimed deposits as on 31.03.2006.

DIRECTORS

Sri.V.N.Jayaprakasam, Executive Director of the Company has been re-appointed for two years with effect from 1.7.2006 to 30.6.2008.

Kovilpatti Lakshmi Roller Flour Mills Limited

Sri.Sudarsan Varadaraj and Sri.S.Govindan retire by rotation at the ensuing Annual General Meeting of the Company and are eligible for re-appointment.

Profile of the Directors retiring by rotation and re-appointment as per Clause 49 of the listing agreement.

Sri.V.N.Jayaprakasam, aged 68 years is the Executive Director of the Company. He had graduated from Presidency College, Madras in the year 1959. Joined the company in the year 1962 when the company was incorporated. He had his training with Buhler AG in Uzwil, graduated from Swiss Milling School, St.Galen and working experience from V.O.L.G.Winterthur, Switzerland. He is with the company since inception. He is the Director of Prokop Eltex India Private Ltd., KLRG General Finance Private Limited and Eltex Precision Dies and Tools Private Ltd.,

Sri.Sudarsan Varadaraj, aged 47 years, B.E (Hons), M.S.(Stanford) is a leading Industrialist of Coimbatore. He is an Independent Director. He is the Managing Director of Elgitread (India) Ltd., and Elgi Rubber Products Limited and having directorship in Elgi Ultra Industries Ltd., Elgi Equipment Ltd., Geo Renewable Power Ltd., Super Spinning Mills Ltd., Rayalaseema Technologies Ltd., Vijayeswari Textiles Ltd., All India Rubber Industries Association, Elgi Electric & Industries Ltd., Elgitread Ltd., and Kooltread Limited.

Sri.S.Govindan, aged 68 years, L.T.M. Joined the Company in the year 1982 when the Textile Division was incorporated. He has contributed his service as a Director-Textiles upto 31.07.2005. He is a Textile Technologist and contributed immensely for the growth of the Textile Division. He is not having any directorship in any other Company.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) In the preparation of the annual accounts for the financial year ended 31st March 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments 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 of the company for the year under review.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts for the financial year ended 31st March 2006 on a going concern basis.