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2007

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

Dr.R.SETHUMADHAVAN

Nominee Director - IREDA

Auditor

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

Chartered Accountant

Branch Auditors

M/s. Srivatsan and Gita

M/s. Suri & Co.,

Chartered Accountants

Bankers

Canara Bank

Indian Overseas Bank

Punjab National Bank

Registered Office

75/8, Benares Cape Road

Gangalkondan 627 352

Administrative Office

1054/21, Avanashi Road

Coimbatore-641 018

Food Division

Gangalkondan 627 352

Textile Division

Gangalkondan 627 352

N.Subbiahpuram 626 205

Engineering Division

Coimbatore 641 020

Kovilpatti Lakshmi Roller Flour Mills Limited**NOTICE**

Notice is hereby given that the Fortyfifth Annual General Meeting of the Company will be held on Friday the 28th September, 2007 at 9.45 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 31.03.2007 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.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.K.Gnanasekaran 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, Coimbatore 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 Sheet Metal Division, Coimbatore for the financial year 2007-2008 on such remuneration as may be determined by the Managing Director."

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

"Further resolved that pursuant to Section 228 (3) of the Companies Act, 1956, M/s Suri & Co., Chartered Accountants, Coimbatore 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 Foundry Division, Coimbatore for the financial year 2007- 2008 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 and 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 Coimbatore branches of our Company.

The proposed resolution set out in Item No.6 and 7 of the Notice seeks the authorization of the members to appoint Branch Auditors for the year 2007-2008. None of the directors of the company is, in any way, concerned or interested in the said resolution.

Kovilpatti Lakshmi Roller Flour Mills Limited**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 20th September to 28th September, 2007 (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, 1997-1998 and 1998-1999 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 1999-2000 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

Date : 27th August, 2007
 Place : Gangaikondan

N.V.Srinivasan
 Chairman of the Meeting

Kovilpatti Lakshmi Roller Flour Mills Limited**DIRECTORS REPORT AND MANAGEMENT ANALYSIS**

Dear Shareholders,

The Directors present their Fortyfifth Annual Report together with the audited statement of accounts for year ended 31st March 2007. The management discussion and analysis report have been included at the appropriate places in this report.

	(Rs.in lakhs)	
FINANCIAL RESULTS	31.03.2007	31.03.2006
Profit before financial charges and depreciation	1067.70	930.30
Less : Financial charges	423.25	324.27
Profit before depreciation	644.45	606.03
Less : Depreciation	393.79	260.52
Profit before tax	250.66	345.51
Less : Provision for tax		29.07
- Current	-	
- Deferred	81.31	1.64
- Fringe Benefit Tax	3.36	4.03
Net Profit after tax	165.99	310.77
Balance profit from previous year	358.24	202.22
Profit available for appropriation	524.23	512.99
Appropriations		
Proposed Dividend	100.41	48.02
Provision for Dividend Tax	17.06	6.73
Transfer to General Reserve	12.45	100.00
Balance to be carried forward	394.31	358.24
Total	524.23	512.99

INDUSTRY STRUCTURE AND DEVELOPMENTS**Results**

The turnover of the company for the year is 119.57 crores as against Rs.92.83 crores last year.

The Company earned a pre tax profit of Rs.250.66 lakhs after charging Rs.144.38 lakhs as Voluntary Retirement Scheme Compensation and terminal benefits to employees and public issue expenses to the extent written off during the year.

The Food Division earned a profit of Rs.65.70 lakhs

The Food Division milled 50768 Metric tons of wheat an increase of 20.33 % and accounted for 54.94 % of the turnover of the company.

The Textile Division has earned a profit of Rs.192.41 lakhs after charging Rs.88.59 lakhs as Voluntary Retirement Scheme Compensation and terminal benefits.

Engineering Division has sustained a net loss of Rs.7.45 lakhs after charging Rs.50.55 lakhs as Voluntary Retirement Scheme Compensation and terminal benefits.

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, 2007.

COMPANY STRUCTURE

Eltex Super Castings Limited a subsidiary company amalgamated with us effective from 1st April, 2006 as per the scheme of amalgamation approved by Hon'ble High Court, Madras.

The installed capacity of the foundry is 7200 tonns per year. We have invested Rs.119 lakhs for refurbishing the foundry.

OUTLOOK FOR THE YEAR**Flour Mill Division**

An outlay of Rs.27 lakhs is proposed to be made this year towards achieving further improvement in product quality.

Textile Division

We propose to invest an amount of Rs.1445 lakhs availing funds under TUF Scheme for modernization of production facilities and to improve amenities for employees.

Engineering Division

An investment of Rs.76 lakhs is to be made in the sheet metal facility to meet the quality requirements of our valued customers.

OPPORTUNITIES, CHALLENGES, RISKS AND CONCERNS

With improvement in living standards, changing life style, the demand for wheat products is bound to increase every year substantially. Wheat production at 74 millions has been very encouraging compared to 68 millions in the previous year. Government is planning to permit duty free import of wheat flour which might be detrimental to the indigenous flour milling industry.

The textile industry can look forward to comfortable availability of quality cotton at stable prices. Appreciation of Indian rupee against international currencies have rendered exports uneconomical. This has resulted in additional supplies in the domestic market leading to lower price realization and lower profitability in the textile industry.

Foundry industry has seen an annual growth of 6% in the past which is expected to increase to around 20 % annually in the next five years due to increased global demand.

The hardening of interest rates, increase in material and other input costs, fluctuation in foreign currency rates, fierce competition are challenges for all the segments.

Kovilpatti Lakshmi Roller Flour Mills Limited

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

Your company plans to strive for major growth in terms of increased production and improved value addition. We foresee a bright future for the operation of all our three divisions.

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 and machinery, components, 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

During the year company has issued 26 lakhs equity shares to public @ Rs.55/- each. The issue was well received. Your directors wish to place on record their gratitude to all investors who have subscribed to the issue. The total amount mobilised under the public issue was invested for the objects for which it was raised. Details of utilization are given in notes forming part of the accounts.

Punjab National Bank has sanctioned a term loan of Rs.1156 lakhs for modernization of Textiles under TUF Scheme.

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 31.03.2007.

Kovilpatti Lakshmi Roller Flour Mills Limited**DIRECTORS**

Sri.N.V.Srinivasan and Sri.K.Gnanasekaran 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.N.V.Srinivasan, aged 78 years, Intermediate is a leading Agriculturist. He is a director in KLRF General Finance P Ltd., He is an independent director on the Board since 1977.

Sri.K.Gnanasekaran, aged 53 years, B.Com., F.C.A., He is an independent director on the Board since 2004. He has wide knowledge and experience in finance. He is the Chairman of the Audit Committee. He is a director in Magna Electro Castings Limited, Elgitread Limited, Single Window Securities Limited and Managing Director of Single Window Commodities Private Limited.

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 2007, 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 2007 on a going concern basis.

AUDITORS

Sri.P.Marimuthu, Auditor of the Company will retire at the forthcoming Annual General Meeting and is eligible for re-appointment.

Srivatsan and Gita, Chartered Accountants, Coimbatore be appointed as Branch Auditors of the Company to audit the books of accounts of the sheet metal division of the company for the period 2007-2008 subject to the approval of the shareholders in the ensuing Annual General Meeting.

Suri & Co., Chartered Accountants, Coimbatore be appointed as Branch Auditors of the Company to audit the books of accounts of the foundry division of the company for the period 2007-2008 subject to the approval of the shareholders in the ensuing Annual General Meeting.

Kovilpatti Lakshmi Roller Flour Mills Limited

Sri.M.Kannan, Cost Accountant has been appointed as Cost Auditor for the year 2007-2008 subject to approval by the Central Government.

PERSONNEL

Particulars under Section 217 (2A) are not applicable, as no employee has been paid more than prescribed limits. Statement in accordance with the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 is annexed.

CAUTIONARY STATEMENT

Management Discussion and Analysis forming part of this Report is in compliance with Corporate Governance Standards incorporated in the listing agreement with Stock Exchanges and such statements may be "forward looking" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

GENERAL

Your Company's shares are listed at Coimbatore, Chennai and Mumbai Stock Exchanges. Necessary listing fees for the year have been paid.

During the year under review industrial relations continued to be cordial.

Your Directors acknowledge with gratitude, the co-operation and assistance from Canara Bank, Indian Overseas Bank, IDBI Bank Ltd., IREDA, Punjab National Bank and ICICI Bank Ltd.,

Your Directors would like to thank all Shareholders, Fixed Deposit Holders, Customers and Employees in appreciation of their continued support.

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

Date : 27th August, 2007
Place : Gangaikondan

By Order of the Board
N.V.Srinivasan
Chairman of the Meeting