

Annual Report

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KLRF 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, Tirunelveli

Branch Auditors

M/s Srvatsan and Gita

M/s Suri & Co.,

Chartered Accountants

Bankers

Canara Bank

Indian Overseas Bank

Punjab National Bank

IDBI Bank Ltd.,

Registered Office

75/8, Benares Cape Road,

Gangaikondan - 627 352

Administrative Office

1054/21, Avanashi Road,

Coimbatore-641 018

Food Division

Gangaikondan - 627 352

Textile Division

Gangaikondan - 627 352

N.Subbiahpuram - 626 205

Engineering Division

Coimbatore - 641 020

Register and Share Transfer Agents

Intime Spectrum Registry Limited

"Surya" 35, Mayflower Avenue,

Senthil Nagar, Sowripalayam Road,

Coimbatore - 641 028, Tamil Nadu.

Telefax : 0422 - 2314792, 2315792

E-mail : coimbatore@intimespectrum.com

KLRF Limited**Contents**

Notice to Members	3
Report of the Directors and Management Analysis	8
Report on Corporate Governance	15
Report of the Auditor	24
Balance Sheet	27
Profit and Loss Account	28
Schedules	29
Notes on Accounts	35
Cash Flow Statement	41

KLRF Limited**NOTICE**

Notice is hereby given that the Fortysixth Annual General Meeting of the Company will be held on Thursday the 25th September, 2008 at 10.45 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 31.03.2008 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.S.Govindan 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 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 up to the conclusion of the next Annual General Meeting to audit the books of accounts of the Sheet Metal Division, Coimbatore for the financial year 2008 – 2009 on such remuneration as may be determined by the Board of Directors of the Company.

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, M/s Suri & Co., Chartered Accountants, Coimbatore be and are hereby appointed as Branch Auditor of the Company to hold office up to the conclusion of the next Annual General Meeting to audit the books of accounts of the Foundry Division, Coimbatore for the financial year 2008 – 2009 on such remuneration as may be determined by the Board of Directors of the Company.

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

Resolved that pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, and subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and the rules framed there under, Listing Agreements and all other applicable rules, regulations and guidelines and subject to approval, consent, permission or sanction of the Stock Exchanges where the shares of the Company are listed and any other appropriate authorities, institutions, or regulators, as may be necessary and subject to the necessary conditions and modifications, if any as may be prescribed or imposed by any authority while granting such approvals, permissions, and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors to de-list the equity

KLRF Limited

shares of the Company from Madras Stock Exchange Limited and Coimbatore Stock Exchange Limited at such time as the Board may decide.

Resolved Further that the Board of Directors of the Company be and is hereby authorized to do and perform all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, desirable or appropriate and make all such applications and execute deeds, agreements, documents and writings as it may consider necessary, usual, requisite or proper for giving effect to this resolution.

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

Resolved that in partial modification of Resolution No. 7 passed at the Annual General Meeting of the Company held on 28th September 2005 and pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the members at the ensuing Annual General Meeting, the terms of remuneration of Smt.J.Chandrankanthi, Vice Chairman of the Company be modified with effect from 1st April, 2008 for the remainder of the tenure of her appointment as detailed below

Clause No. "III – Perquisites" be substituted as follows :

In addition to salary and commission, Smt.J.Chandrankanthi, Vice Chairman shall be entitled to perquisites which shall not exceed the annual salary.

Further Resolved That all other terms and conditions as set out in Resolution No. 7 passed at the meeting of the shareholders of the Company held on 28th September, 2005 will remain unchanged.

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

Resolved that in partial modification of Resolution No. 8 passed at the Annual General Meeting of the Company held on 28th September 2005 and pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the members at the ensuing Annual General Meeting, the terms of remuneration of Sri.Suresh Jagannathan, Managing Director of the Company be modified with effect from 1st April, 2008 for the remainder of the tenure of his appointment as follows;

Clause No. (II) "Commission" be substituted as follows :

'Not exceeding the overall limit of 5% of net profit of the Company computed in accordance with section 198, 309 and 349 of the Companies Act, 1956.

Clause No. (III) "Perquisites" be substituted as follows:

"In addition to salary and commission, Sri.Suresh Jagannathan, Managing Director shall be entitled to perquisites which shall not exceed the annual salary.

Further Resolved That, all other terms and conditions as set out in Resolution No.8 passed at the meeting of the shareholders of the Company on 28th September, 2005 will remain unchanged".

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

KLRF Limited

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 2008-2009.

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

Item No.8

The Shares of the Company are listed on Three Stock Exchanges at present viz., Bombay Stock Exchange Limited (BSE), Madras Stock Exchange Limited (MSE) and Coimbatore Stock Exchange Limited (CSX). However there has been no trading in MSE and CSX. With extensive networking of BSE to other cities as well, investors have access to on-line trading in equity shares of the Company across the country. Accordingly, it is proposed to delist the Company's equity shares at an appropriate time in future, from Coimbatore Stock Exchange Limited (CSX) and Madras Stock Exchange Limited (MSE).

As per the Delisting Guidelines, the Company can delist its shares from CSX and MSE with the approval of members by passing a special resolution, without providing an exit opportunity, provided that the shares will continue to be listed on a Stock Exchange having nationwide trading terminals. The consent of the members is being sought by a special resolution to authorize the Board to delist the company's equity shares from the above stock exchanges at such time as the Board may consider appropriate and on such terms and conditions as may be stipulated or agreed to in the best interests of the Company.

The proposed delisting of the Company's equity shares from CSX and MSE, as and when takes place, will not affect the investors adversely. The Company's equity shares will continue to be listed on Bombay Stock Exchange Limited (BSE). The delisting will take effect after all approvals, permissions and sanctions are received from the appropriate authorities.

Your directors recommend the Special Resolution for your approval.

Item No.9

Smt.J.Chandrakanthi, Vice Chairman of the company was appointed with remuneration and perquisites as per the resolution passed by the shareholders on 28th September, 2005 for a period of 5 years with effect from 1st December, 2005. The Board of Directors have decided to modify the perquisites with effect from 1.4.2008. The Remuneration Committee at its meeting held on 6.6.2008 has approved the partial modification of perquisites payable to Smt.J.Chandrakanthi, Vice Chairman. Hence, the resolution No.9 placed before the shareholders for their approval. All other terms and conditions as set out in the resolution No.7 passed at the meeting of the shareholders on 28.9.2005 remain unchanged.

Item No.10

Sri.Suresh Jagannathan, Managing Director of the company was appointed with remuneration and perquisites as per the resolution passed by the shareholders on 28th September, 2005 for a period of 5 years with effect 11th March, 2006. The Board of Directors have decided to modify the commission/perquisites payable with effect from 1.4.2008. The Remuneration Committee at its meeting held on 6.6.2008 has approved the partial modification commission/perquisites payable to Sri.Suresh Jagannathan, Managing Director. Hence, the resolution No.10 placed before the shareholders for their approval.

KLRF Limited

All other terms and conditions as set out in the resolution No.8 passed at the meeting of the shareholders on 28.9.2005 remain unchanged.

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 25th September, 2008 (both days inclusive).
4. Pursuant to Section 205-A, of the Companies Act, 1956, unclaimed dividends up to 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) up to 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 to 1999-2000 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 2000-2001 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.
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.
9. Electronic Clearing Services (ECS) for payment of dividend.
 - a. The Company has proposed to utilize Electronic Clearing Service (ECS) for payment of dividend. ECS facility will provide the following benefits to the shareholders.
 - Payment (dividend credit) on the same date to all shareholders.
 - Elimination of loss of instruments in transit
 - Elimination of fraudulent encashment of Dividend Warrants and
 - Effortless receipt - No need to visit the bank for depositing the Dividend Warrants.
 - b. Under the ECS, the Company will remit the dividend amount directly to the credit of shareholders' bank account. However, advice of remittance will be sent to the shareholders' registered address.

KLRF Limited

- c. Considering the benefits involved in ECS, for payment of dividend, shareholders are advised to avail this facility.
- d. The shareholders, holding shares in physical form, are requested to fill in and sign the enclosed ECS form and return the same to the Registrar and Transfer Agent of the Company M/s Intime Spectrum Registry Ltd, Coimbatore immediately, Please fill in the form in legible and readable form in English, preferably in capital letters.
- e. Along with the completed ECS form, we request you to forward a photo copy of the cheque leaf of your bank account, to ensure that the MICR number appearing therein correctly filled in. This is important to ensure proper credit to your account.
- f. Shareholders, holding shares in demat form, are requested to forward the ECS particulars only to their Depository Participant (DP) with whom they have their Demat Account, for incorporation in their records. The said information will be forwarded by the Depository Participant to the Registrar and Transfer Agent of the Company, for necessary action at the time of payment of dividend.

10. Reappointment of Directors

A brief resume, nature of experience in specific functional areas and other directorship of committees in respect of appointment/reappointment of Directors are given in terms of clause 49 of the listing agreement.

Name : Sudarsan Varadaraj
 Age : 50 years
 Qualifications : B.E.(Hons), M.S (Mech.Engg.)
 Expertise : 27 years of experience in Rubber industry
 Other directorships

Name of the Company	Position held	Membership of the Committee
Elgitread (India) Limited	Managing Director	Shareholders Committee
Treadsdirect Limited	Director	Shareholders Committee
Elgi Equipments limited	Director	
Elgi Electir & Industries Limited	Director	
Elgi Ultra Industries Limited	Director	
Super Spinning Mills Limited	Director	
LRG Technologies Limited	Director	
Elgi aviation Tyres Limited	Director	

Name : S. Govidhan
 Age : 72 years
 Qualifications : L.T.M.
 Expertise : 46 years of experience in Textile Industries
 Other directorships : Nil

By Order of the Board

Place : Gangaikondan
 Date : 6th June, 2008

S.Govindan Suresh Jagannathan
 Director Managing Director

KLRF Limited

The Textile Division has earned a profit of Rs.72.11 lakhs after charging Rs.31.13 lakhs as Voluntary Retirement Scheme Compensation and terminal benefits .

Engineering Division has sustained a net loss of Rs.12.69 lakhs after charging Rs.50.55 lakhs as Voluntary Retirement Scheme Compensation and terminal benefits.

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, 2008.

CAPITAL INVESTMENT

We have made a total capital investment of Rs.1436.14 lakhs. An amount of Rs.112.21 lakhs was invested in engineering division, Rs. 34.81 lakhs in Food Division and Rs.1289.12 lakhs was invested for modernizing the open end spinning unit in Textile Division. These investments will result in increase of production and improvement in quality. This capital investment was funded from internal accruals, regular term loan and concessional term loan under TUF scheme from Punjab National Bank.

OUTLOOK FOR THE YEAR

Diverse activities, increased production in all divisions and demand for the products in domestic and overseas market offers an encouraging outlook.

Engineering Division

A capital investment of Rs.375 lakhs is proposed to be made for modernizing the grey iron foundry.

OPPORTUNITIES, CHALLENGES, RISKS AND CONCERNS**Food Division**

The recent crop estimate for wheat production this year is 78 million tons is a substantial increase from the earlier years. This ensures adequate supplies at consistent prices. Improved living standards, changing life styles and food habits will result in a steady and increased demand for wheat products.

Textile Division

The nations of the world is increasingly sourcing their clothing requirements from India, China, Bangladesh etc., Inspite of some of the setbacks, the textile industry is expected to perform well with supportive government policies and appreciation in Indian currency and improved cotton availability. Benefits of modernization in the textile division will result in improved performance in the ensuing years.

Engineering Division

India is fast becoming the Automotive Hub of the World. All the industrialized nations are increasingly sourcing their grey iron castings and machined components requirements