



Report **2009** Junction.com

Annual Report

KLRF Limited

KLRF Limited

Board of Directors

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 Srivatsan and Gita

M/s Surl & Co.,

Chartered Accountants

Bankers

Canara Bank

Indian Overseas Bank

Punjab National Bank

IDBI Bank Ltd.,

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

Registrar and Share Transfer Agents

Link Intime India Private Limited

"Surya" 35, Mayflower Avenue,

Senthil Nagar, Sowripalayam Road,

Coimbatore - 641 028, Tamilnadu.

Telephone : 0422 - 2315792, 2314792

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E-mail : coimbatore@linkintime.co.in

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KLRF Limited**NOTICE**

Notice is hereby given that the Fortyseventh Annual General Meeting of the Company will be held on Thursday the 24th September, 2009 at 10.45 a.m., at the Company's Registered Office at Gangalkondan, Tirunelveli District to transact the following business.

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31.03.2009 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditor thereon.
2. To appoint a Director in the place of Sri. K. Gnanasekaran who retires by rotation and being eligible, offers himself for re-appointment.
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 an Auditor and fix his remuneration.

SPECIAL BUSINESS

5. 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 2009 – 2010 on a remuneration of Rs.35,000/- (Rupees thirty five thousand only) excluding applicable taxes and out of pocket expenses incurred in connection with the audit."

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 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 2009 – 2010 on a remuneration of Rs.1,10,000/- (Rupees one lakh ten thousand only) excluding applicable taxes and out of pocket expenses incurred in connection with the audit."

Explanatory Statement under Section 173 (2) of the Companies Act, 1956**Item No.5 and 6**

As per Section 228 (3) of the Companies Act, 1956, Branch Auditors are required to be appointed at the General Meetings. Accordingly, Branch 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.5 and 6 of the Notice seeks the authorization of the members to appoint Branch Auditors for the year 2009-2010.

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

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 17th September to 24th September, 2009 (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) 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 to 2000-2001 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 2001-2002 or any subsequent financial years are advised to claim the dividend from the Company after filling 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. Reappointment of Directors

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

a) Name	: K.Gnanasekaran
Age	: 57 years
Qualification	: B.Com., F.C.A.,
Expertise	: 30 years of experience in Finance and Accounts

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Name of the Company	Position held	Membership of the Committee
Magna Electro Castings Ltd.,	Director	Audit Committee - Member
Treadsdirect Ltd.,	Director	Audit Committee - Chairman
Single Window securities Ltd.,	Director	Nil

b) Name : S.Govindan
 Age : 73 years
 Qualification : L.T.M.
 Expertise : 47 years experience in Textile Industries
 Other directorships : Nil

Place : Coimbatore
 Date : 4th June, 2009

By Order of the Board
 S.Govindan Suresh Jagnathan
 Director Managing Director

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(Rs.in lakhs)

FINANCIAL RESULTS

	31.03.2009	31.03.2008
FINANCIAL RESULTS		
Profit before financial charges and depreciation	659.95	1230.81
Less : Financial charges	629.77	482.25
	<hr/>	<hr/>
Profit before depreciation	30.18	748.56
Less : Depreciation	533.99	420.72
	<hr/>	<hr/>
Profit/Loss before tax	-503.81	327.84
Less : Provision for tax – Current	—	14.26
– Deferred	(74.95)	11.81
– Fringe Benefit Tax	5.91	5.34
	<hr/>	<hr/>
Net Profit/Loss after tax	-434.77	296.43
Balance profit from previous year	—	—
	<hr/>	<hr/>
Profit/Loss available for appropriation	-434.77	296.43
	<hr/>	<hr/>
Appropriations		
Proposed Dividend	—	100.41
Provision for Dividend Tax	—	17.06
Transfer to General Reserve	—	22.30
Balance adjusted in Profit and Loss Account	—	156.66
	<hr/>	<hr/>
Total	-434.77	296.43

INDUSTRY STRUCTURE AND DEVELOPMENTS

Results

The turnover of the company for the year is Rs.144.89 crores as against Rs.143.08 crores last year.

The Company has sustained a loss of Rs.503.81 lakhs after charging Rs.74.37 lakhs as Voluntary Retirement Scheme Compensation and terminal benefits to employees, public issue expenses and amalgamation expenses to the extent written off during the year.

The Food Division earned a net profit of Rs.209.46 lakhs

The Food Division milled 46016 Metric tons of wheat and accounted for 49.91% of the turnover of the company.

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The Textile Division has sustained a net loss of Rs.509.50 lakhs after charging Rs.2.40 lakhs as Voluntary Retirement Scheme Compensation and terminal benefits .

Engineering Division has sustained a net loss of Rs.209.68 lakhs after charging Rs.50.55 lakhs as Voluntary Retirement Scheme Compensation and terminal benefits.

DIVIDEND

Your Directors are unable to recommend a dividend on the paid-up equity share capital of the Company for the year ended 31st March, 2009.

CAPITAL INVESTMENT

We have made a total capital investment of Rs.605 lakhs. An amount of Rs.255 lakhs was invested in engineering division, Rs.122 lakhs in Food Division and Rs.228 lakhs was invested for modernizing the Textile Division. These investments will result in increase of production and improvement in quality. This capital investment was funded from internal accruals, term loans from Punjab National Bank and IDBI Bank Ltd.,

ECONOMIC OUTLOOK FOR THE YEAR

Prevailing stable political condition offers an opportunity for earlier implementation of policy and monetary reforms.

Reduction in financial cost and liberal access to credit will be a great stimulus for growth of industry and business.

An earlier than anticipated revival from recession might materialize.

Opportunities, Challenges, Risks & Concerns**Food Division**

Wheat production in the crop year 2009 is anticipated to be little in excess of last years 74 million tones.

This ensures adequate availability of wheat throughout the year.

Comfortable stock levels of wheat and rice might lead to liberalization of wheat products export.

This will result in increased utilization of the milling capacity and improved profits.

Textile Division

There appears to be encouraging signs of early recovery from world economic recession.

Benefits of modernization in this division will help in increasing range of production and in establishing newer markets.

Substantial cotton availability with government agencies ensures availability of cotton throughout the year at stable prices

All the above factors will be conducive for the growth and profitability of this division.

Engineering Division

Growth oriented policies of government will lead to earlier revival of automobile, farm equipment and capital goods industries to which both foundry and sheet metal divisions caters to.

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Benefit of modernization in both foundry and sheet metal divisions will result in higher productivity, lower rejection rate and access to newer markets, thereby to improved profitability.

A much prolonged recession, likely increase in inflation level and consequent increase in input costs, currency fluctuation are negative factors for all divisions.

Your Company is endowed with a well qualified, experienced management team, supported by equally qualified team of colleagues, ensures continuous monitoring of developments and timely remedial action.

FOREIGN EXCHANGE DERIVATIVE CONTRACT

The Company has entered in to a derivative contract for a value of Rs.500 lakhs which will mature during the accounting year 2009 - 10. This contract was unwound during May, 2009 resulting in a loss of Rs.97,88,700/- which will reflect in the financial year 2009 - 10.

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 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

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 31.03.2009.

DIRECTORS

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

We place on record, with deep sorrow, the sudden demise of our beloved Director Sri.N.V.Srinivasan. The Company is grateful for the valuable services he has rendered as director of this company for 30 years.

KLRF 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 2009, 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 Loss 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 2009 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 have been proposed to 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 2009-2010 subject to the approval of the shareholders in the ensuing Annual General Meeting.

Suri & Co., Chartered Accountants, Coimbatore are being proposed to be appointed as Branch Auditors of the Company to audit the books of accounts of the foundry division of the company for the period 2009-2010 subject to the approval of the shareholders in the ensuing Annual General Meeting.

Sri.M.Kannan, Cost Accountant has been appointed as Cost Auditor for the year 2009-2010 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.