



2010
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 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

Registrar and Share Transfer Agent

Link Intime India Private Limited

“Surya” 35, Mayflower Avenue,

Senthil Nagar, Sowripalayam Road,

Coimbatore - 641 028, Tamilnadu.

Telephone : 0422 - 2315792, 2314792

Telefax : 0422 - 2314792

E-mail : coimbatore @ linkintime.co.in

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NOTICE

Notice is hereby given that the Fortyeighth Annual General Meeting of the Company will be held on Wednesday the 29th September, 2010 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 31.03.2010 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 Mr.Sudarsan Varadaraj who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr.K.Gnanasekaran 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 Haribhakti & 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 both Sheet Metal and Foundry Division, Coimbatore for the financial year 2010 – 2011 on a remuneration of Rs.300000/- (Rupees three lakhs only) excluding applicable taxes and out of pocket expenses incurred in connection with the audit."

6. **To consider re-appointment of Mr.Suresh Jagannathan, Managing Director.**

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

Resolved that pursuant to 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) Mr. Suresh Jagannathan be and is hereby reappointed as Managing Director of the Company, for a further period of 5 (five) years with effect from 11th March, 2011 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.

Remuneration

- | | |
|--|---|
| I) Salary | Rs.90,000/- per month with an annual increment of Rs.6000/- |
| II) Commission
(Including
Salary and
Perquisites) | Not Exceeding 5% of the Net Profit of the Company computed in accordance with Sections 198, 309 and 349 of the Companies Act, 1956. |

III) Perquisites

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 perquisites which shall not exceed 30% of the salary.

(a) Reimbursement of medical expenses incurred for self and his family.

(b) Leave (as per rules of the Company).

(c) Leave Travel Concession for self and his family.

(d) Reimbursement of expenditure incurred on gas, electricity, water, furnishings and appliances.

(e) Reimbursement of club expenses for self.

(f) 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 Mr.Suresh Jagannathan, Managing 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”.

Item No.7.To consider re-appointment of Mr.V.N.Jayaprakasam, Executive Director

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

Resolved that pursuant to 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) Mr.V.N.Jayaprakasam be and is hereby appointed as “Executive Director” of the Company, for a further period of 2 (two) years with effect from 1.7.2010 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 of the Companies Act, 1956.

Remuneration

- | | |
|------------------|---|
| I) Salary | Rs.90000/- per month with an annual increment of Rs.7500/- |
| 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. |
| III) Perquisites | In addition to salary and commission perquisites shall be allowed as detailed below |

Category "A"

a. Housing:

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

b. Other perquisites:

The following perquisites shall be allowed subject to a maximum of 30 % 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 salary 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 Mr.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".

Explanatory Statement under Section 173 (2) of the Companies Act, 1956

Item No.5

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 of the Notice seeks the authorization of the members to appoint Branch Auditors for the year 2010-2011.

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

Item No.6

The present tenure of Mr.Suresh Jagannathan, Managing Director, expires on 10th March, 2011. The Board of Directors considers that it will be in the interest of the Company to continue to have the benefits of the service and advice of the Managing Director. In view of the knowledge and experience in the industry, the Company can utilise his services for the future growth by the proposed re-appointment as Managing Director for a period of five years.

In terms of Section 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 Mrs.J.Chandranthi and Mr.Suresh Jagannathan are 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.

Item No.7

The present tenure of Mr.V.N.Jayaprakasam, Executive Director shall be expiring by 30th June, 2010. 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 1.7.2010.

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 the shareholders in General Meeting as contemplated therein.

None of the directors except Mr.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 22nd September to 29th September, 2010 (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 2001-2002 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 2002-2003 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. Re-appointment 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 : Sudarsan Varadaraj
 Age : 52 years
 Qualification : B.E., (Hons), M.S. (Mech.Engg.)
 Expertise : 29 years of experience in Rubber Industry

Name of the Company	Position held	Membership of the Committee
Elgi Rubber Company Limited	Managing Director	Investors Grievance Committee
Treadsdirect Ltd.,	Chairman & Managing Director	Investors Grievance Committee
Elgi Equipments Limited	Director	Nil
Elgi Aviation Tyres Limited	Director	Nil
Elgi Ultra Industries Limited	Director	Nil
LRG Technologies Limited	Director	Nil
Super Spinning Mills Limited	Director	Audit Committee

b) Name : K.Gnanasekaran
 Age : 58 years
 Qualification : B.Com., F.C.A.,
 Expertise : 31years of experience in Finance and Accounts

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

By Order of the Board

Place : Coimbatore
 Date : 27th May, 2010

K.Gnanasekaran
 Director

Suresh Jagannathan
 Managing Director

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, 2010.

CAPITAL INVESTMENT

We have made a total capital investment of Rs.448 lakhs. An amount of Rs.384 lakhs was invested in engineering division, Rs.33 lakhs in Food Division and Rs.31 lakhs was invested in Textile Division. These investments will result in increase of production and improvement in quality.

ECONOMIC OUTLOOK FOR THE YEAR

Liberal monetary policies and economic stimulus package extended by the government has resulted in earlier revival of the economy.

G.D.P reached a level of 8.6 % in the last quarter of 2009 - 2010

Growth in exports, increase in agricultural and industrial production, gives confidence that the economic growth will be sustained and improve further.

Opportunities, Challenges, Risks & Concerns

Food Division

Wheat production in the crop year has been satisfactory at 78 million tons.

Ample food grain stocks are available with the government. Import of wheat also continues to be permitted.

This ensures continuous supply of raw material at stable prices, leading to profitable operation of this division.

Further, in view of the comfortable wheat stock level, government might allow export of wheat products which will result in better capacity utilization.

Textile Division

Production of raw cotton is expected to be higher by 6 to 7% this year, leading to supply of raw material at stable and favourable price.

It is gratifying that global economy has seen a revival and demand for both apparel and yarn increased considerably. Policies announced by government is conducive for the satisfactory growth and profitability of Textile Industry.

However, availability of quality power continues to be a major concern.

Unfavourable economic condition in Europe and volatility of Euro currency may impact the export markets adversely.

Engineering Division

Demand for the products of Foundry and Sheet Metal Division continues to be good.