



2011  
Annual Report

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KLRF Limited

## ***KLRF Limited***

Board of Directors

**Sudarsan Varadaraj**

**S.Govindan**

**K.Gnanasekaran**

**J.Chandrakanthi**

**Suresh Jagannathan**

Managing Director

**V.N.Jayaprakasam**

Executive Director

**Dr.R.Sethumadhavan**

Nominee Director – IREDA Ltd.,

Chief Finance Officer

**R. Kannan**

Company Secretary

**S.Piramuthu**

Auditor

**P.Marimuthu**, B.Com., F.C.A.,  
Chartered Accountant, Tirunelveli

Branch Auditors

M/s Haribhaki & Co.,  
Chartered Accountants, Coimbatore

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  
Telefax : 0422 - 2314792  
E-mail : coimbatore @ linkintime.co.in

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## **NOTICE**

Notice is hereby given that the Forty-ninth Annual General Meeting of the Company will be held on Thursday the 15<sup>th</sup> September, 2011 at 10.45 a.m., at the Company's Registered Office at 75/8, Benares Cape Road, Gangaikondan - 627 352, Tirunelveli District to transact the following business.

### **ORDINARY BUSINESS**

1. To consider and adopt the Balance Sheet as at 31.03.2011 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditor thereon.
2. Smt.J.Chandrananthi, Director retires by rotation and the Board recommends that the vacancy caused by her retirement be not filled up.
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 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 the Sheet Metal and Foundry Division, Coimbatore for the financial year 2011 – 2012 on a remuneration of Rs.3,37,500/- (Rupees three lakhs thirty seven thousands five hundred only) excluding applicable taxes and out of pocket expenses incurred in connection with the audit."

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

Resolved that pursuant to Section 297 and other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government the consent of the members be and is hereby accorded for entering into a contract with M/s.Prokop Eltex (India) Private Limited (a Company in which a director of the Company is interested) for sale of sheet metal components, cast iron and purchase of scrap and flour milling machineries and spares to the extent of Rs.50 Lakhs per annum for a period of 5 years commencing from 01.04.2012.

Further resolved that the consent of the members be and is hereby specially accorded to the contract subject to the fulfillment of the following conditions:-

- (i) The proposed contract with the aforesaid contractee company shall be competitive and at arms length without conflict of interest and is not less advantageous to it as compared to similar contract with other parties.
- (ii) The Company has not made any default in repayment of any debts (including public deposits) and interest payable there on and has filed its up to date Balance Sheet and Annual Return with the Registrar of Companies.
- (iii) The proposed contract falls within the provisions of Section 297 of the Companies Act and the provisions of Section 198, 269, 309, 314 and 295 are not applicable to the proposed contract.
- (iv) The Company and its Directors have complied with the provisions of sections 173, 297, 299, 300, 301 and other applicable provisions of the Companies Act, 1956 with regard to the proposed contract.

Further resolved to authorize the Board of Directors to take such steps as they may deem necessary or expedient to give effect to this resolution.

#### **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, 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.6 of the Notice seeks the authorization of the members to appoint Branch Auditors for the year 2011-2012.

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

##### **Item No.7**

The Company has entered into a contract with Prokop Eltex (India) Private Limited for which requisite approval of the Central Government has been obtained for a period of 3 years with effect from 1<sup>st</sup> April, 2009. The said contract expires on 31<sup>st</sup> March, 2012.

The Company has now proposed to renew the said contract with Prokop Eltex (India) Private Limited for a further period of 5 years with effect from 1<sup>st</sup> April, 2012 subject to the approval of the Central Government pursuant to Section 297 of the Companies Act, 1956. In terms of the General Circular No.52/2011 dated 25.07.2011 the Company is required to obtain the approval of the members for the proposed contract with the Prokop Eltex (India) Private Limited.

Hence necessary special resolution has been proposed for the approval of the Members in Item No 7 of the Agenda.

Copy of the proposed contract is available for inspection of the members during office hours.

Sri.V.N.Jayaprakasam is interested in the resolution as Director/shareholder of the Contractee Company. None of the other directors are, 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 8<sup>th</sup> September to 15<sup>th</sup> September, 2011 (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 205A and introduction of Section 205C by the Companies (Amendment) Act, 1999, dividend for the financial year from 1995-1996 to 2002-2003 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 2003-2004 or any subsequent financial years are advised to claim the dividend from the Company after filing Indemnity / any other documents. 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. Members are requested to update the e-mail ID in the demat account by contacting their Depository Participant and those who are holding shares in Physical form kindly update your e-mail ID with our Registrar and Share Transfer Agent to enable us to send documents through electronic mode.

10. Members who are holding shares in physical form are requested to intimate immediately their change of address / change of bank account, if any, to the Company / Registrar & Share Transfer Agent quoting reference of the Registered Folio Number.
11. Members may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your shares in the Company shall vest in the event of death. Interested members may write to the Company / Registrar & Share Transfer Agent for the prescribed form.
12. 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 : 53 years  
 Qualification : B.E., (Hons), M.S. (Mech.Engg.)  
 Expertise : 30 years of experience in Rubber Industry

Name of the Company	Position held	Membership of the Committee
Elgi Rubber Company Limited	Chairman & Managing Director	Investors Grievance Committee
Treadsdirect Limited	Managing Director	Nil
Elgi Equipments Limited	Director	Nil
Elgi Ultra Industries Limited	Director	Nil
LRG Technologies Limited	Director	Nil
Super Spinning Mills Limited	Director	Audit Committee & Remuneration Committee
Titan Tyrecare Products Limited	Director	Nil

- b) Name : S.Govindan  
 Age : 75 years  
 Qualification : L.T.M  
 Expertise : 49 years of experience in Textile Industries  
 Other directorships : NIL

Place : Coimbatore  
 Date : 28<sup>th</sup> July, 2011

By Order of the Board  
 Suresh Jagannathan  
 Managing Director

The Directors present their Forty-ninth Annual Report together with the audited statement of accounts for the year ended 31st March 2011. The management discussion and analysis report have been included at the appropriate places in this report.

(Rs.in lakhs)

<b>FINANCIAL RESULTS</b>	<b>31.03.2011</b>	31.03.2010
Profit before financial charges and depreciation	<b>1787.60</b>	1360.89
Less : Financial charges	<b>697.63</b>	755.22
Profit before depreciation	<b>1089.97</b>	605.67
Less : Depreciation	<b>525.00</b>	540.43
Profit/Loss before tax	<b>564.97</b>	65.24
Less : Provision for tax – Current	—	—
– Deferred	<b>175.05</b>	16.27
– For prior years	<b>(0.29)</b>	(2.65)
Net Profit/Loss after tax available for appropriation	<b>390.21</b>	<b>51.62</b>
<b>Appropriations</b>		
Proposed Dividend	—	—
Provision for Dividend Tax	—	—
Transfer to General Reserve	—	—
Balance adjusted in Profit and Loss Account	<b>390.21</b>	51.62
Total	<b>390.21</b>	51.62

## INDUSTRY STRUCTURE AND DEVELOPMENTS

## Results

The turnover of the company for the year is Rs. 215 crores as against Rs.162 crores last year.

The Company has earned an EBIDTA of Rs.1788 lakhs after charging Rs.38 lakhs as public issue expenses and amalgamation expenses written off during the year.

The Food Division earned an EBITDA of Rs.564 lakhs.

The Food Division milled 51789 Metric tons of wheat and accounted for 44% of the turnover of the company.

The Textile Division has earned an EBIDTA of Rs.1052 lakhs and Engineering Division has earned an EBIDTA of Rs.172 lakhs.



## **DIVIDEND**

Your Directors are unable to recommend a dividend on the paid-up equity share capital of the Company for the year ended 31<sup>st</sup> March, 2011.

## **CAPITAL INVESTMENT**

We have made a total capital investment of Rs.727 lakhs. These investments will result in increase of production, cost reduction and improvement in quality.

## **ECONOMIC OUTLOOK FOR THE YEAR**

Relentless inflation and consequent measures by the government to control inflation might result in monetary constraint and higher interest rates.

There has been consistent growth in exports and increased agricultural production is possible with anticipated good monsoon. These are positive indications for overall growth.

## **Opportunities, Challenges, Risks & Concerns**

### **Food Division**

Wheat production, this year, at 84.27 million tones is one of the highest in the history. This bountiful harvest ensures, adequate, consistent supplies of wheat at stable prices to the flour milling industry. Buffer stocks of wheat in government granaries will exceed 41 million tones by end of the procurement season in June, 2011. Thus assured, of adequate grain supply, the government may permit liberal export of wheat and wheat products. This will offer an opportunity to the flour milling industry of better capacity utilization and incresed business volume.

### **Textile Division**

Textile spinning industry which had seen a profitable stint last year is undergoing a difficult phase currently. Inspite of a good cotton crop and plentiful order position for both cotton yarn and garments, inconsistent policies have landed this industry in extremely difficult straits. It will be a few more months for the revised, rational policies to yield desired results and restore normalcy and growth in this vital segment.

### **Engineering Division**

The efforts, investments made for improvement of quality and increased production have started yielding desired results both in the foundry and sheet metal division. We trust that both the foundry and sheet metal division will perform well in the ensuing year. Availability of adequate quality power continues to be a concern. Relentless inflation and consequent hardening of interest rates could also affect the profitability of the company.

## **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 31.03.2011.

## **DIRECTORS**

The Board of Directors wish to place on record the contribution made by Smt. J. Chandrakanthi the retiring director for the growth of the Company during her tenure of her office as Director of the Company

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

## **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 31<sup>st</sup> March 2011, 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 31<sup>st</sup> March 2011 on a going concern basis.

## **AUDITORS**

Mr.P.Marimuthu, Auditor of the Company will retire at the forthcoming annual general meeting and is eligible for re-appointment.

M/s Haribhakti & Co., Chartered Accountants, branch auditors for foundry and sheet metal division of the company will retire at the forthcoming annual general meeting and are eligible for re-appointment.