



2013
Annual Report

KLRF Limited

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KLRF Limited

Board of Directors

Sudarsan Varadaraj

S.Govindan

K.Gnanasekaran

Suresh Jagannathan

Managing Director

V.N.Jayaprakasam

Executive Director

Chief Finance Officer

R.Kannan

Company Secretary

S.Piramuthu

Auditor

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

Chartered Accountant, Tirunelveli

Branch Auditors

M/s Haribhakti & Co.,

Chartered Accountants, Coimbatore

Bankers

Canara Bank

Indian Overseas Bank

Punjab National Bank

IDBI Bank Ltd.,

Registered Office

75/8, Benares Cape Road

Gangaikondan – 627352

Administrative Office

1054/21, Avanashi Road

Coimbatore-641018

Food Division

Gangaikondan – 627352

Textile Division

Gangaikondan – 627352

N.Subbiahpuram – 626205

Engineering Division

Coimbatore – 641020

Registrar and Share Transfer Agent

Link Intime India Private Limited

“Surya” 35, Mayflower Avenue

Senthil Nagar, Sowripalayam Road

Coimbatore – 641028, Tamilnadu

Telephone : 0422 – 2314792

Telefax : 0422 – 2314792

E-mail : coimbatore@linkintime.co.in

NOTICE

Notice is hereby given that the Fifty First Annual General Meeting of the Company will be held on Monday the 16th September, 2013 at 10.00 a.m., at the Company's Registered Office at 75/8, Benares Cape Road, Gangaikondan-627352, Tirunelveli District to transact the following business.

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31.03.2013 and the Statement of Profit and Loss 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.K.Gnanasekaran who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr.Sudarsan Varadaraj 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 (Registration No.103523W) 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 2013 - 2014 on a remuneration of Rs.4,17,000/- (Rupees four lakhs seventeen thousands 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

As per Section 228 (3) of the Companies Act, 1956, Branch Auditor is required to be appointed at the General Meeting. Accordingly, Branch Auditor is 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 Auditor for the financial year 2013-2014.

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 7th September to 16th September, 2013 (both days inclusive).
4. 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 2004-2005 have already been transferred to Investors' Education and Protection Fund.
5. Members who have till date not encashed their dividend warrants for the financial year 2005-2006 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.
6. Members who are holding shares in physical form 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.
7. 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.
8. 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.
9. Members may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your shares in the Company vest in the event of death. Interested members holding shares in physical form may write to the Company / Registrar & Share Transfer Agent for the prescribed form and those holding shares in dematerialised form, should write to their Depository Participant.
10. Re-appointment of Directors

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

a) Name: Mr.K.Gnanasekaran

Age : 61 years

Qualification : B.Com., F.C.A.,

Expertise : 34 years of experience in Finance and Accounts

Name of the company	Position held	Membership of the Committee
Magna Electro Castings Ltd.,	Director	Audit Committee - Member
Single Window Commodities Private Limited,	Director	Nil

b) Name : Mr. Sudarsan Varadaraj

Age : 55 years

Qualification : B.E.,(Hons), M.S.(Mech.Engg.,)

Expertise : 31 years of experience in Rubber Industry

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

Place:Coimbatore

Date:28.05.2013

By Order of the Board

Suresh Jagannathan

Managing Director

DIRECTORS REPORT & MANAGEMENT ANALYSIS**Dear Shareholders,**

The Directors present their Fifty first Annual Report together with the audited statement of accounts for the year ended 31st March 2013. The management discussion and analysis report have been included at the appropriate places in this report.

(Rs.in lakhs)

FINANCIAL RESULTS	31.3.2013	31.3.2012
Total Turnover (Net)	21422.18	20334.25
Profit before financial charges and depreciation	1491.72	1055.72
Less : Financial charges	823.01	902.23
Profit before depreciation	668.71	153.49
Less : Depreciation	519.77	499.09
Profit / (Loss) before tax	148.94	(345.60)
Add/(Less): Provision for tax - Current	—	—
- MAT credit entitlement	29.74	—
- Deferred	(47.44)	124.61
Net Profit/ (Loss) after tax carried to Balance Sheet	131.24	(220.99)

INDUSTRY STRUCTURE AND DEVELOPMENTS**Results**

The turnover of the company for the year is Rs.215 crores as against Rs.204 crores last year.

The Company has earned an EBIDTA of Rs. 1492 lakhs.

The Food Division earned an EBIDTA of Rs. 1108 lakhs on milling of 56940 Metric tons of wheat accounting for 55 % of the turnover of the company.

The Textile Division has earned an EBIDTA of Rs. 400 lakhs and Engineering Division has incurred an EBIDTA of Rs.(-) 16 lakhs.

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, 2013.

CAPITAL INVESTMENT

Company has made a total capital investment of Rs. 182 lakhs. These investments will result in increase of production, cost reduction and improvement in quality.

ECONOMIC OUTLOOK FOR THE YEAR

It is gratifying that this year bench mark inflation has fallen substantially from 7.5% to 4.9 %. This trend will enable RBI to reduce interest burden and increase money supply substantially. Government policies to contain trade imbalance and to increase industrial production, exports are foreseen. Monsoon forecasts indicate a year of good rains. Though there is a decline in estimated production of wheat, total production of food grains are likely to remain at last years level. These are favourable factors conducive for economic growth.

Opportunities, Challenges, Risks & Concerns

Food Division

Earlier estimates of wheat production were around 93.5 million tones. However, halfway through harvests it has been scaled down. This year, minimum support price has been increased by Rs.700 per ton. Considering the huge stocks available with government agencies, prices are likely to remain stable. With consistent demand for wheat products the food division is likely to perform well.

Textile Division

Volatile conditions like high fluctuation in cotton and yarn prices have changed for better. Demand for yarn has increased in national and international markets. Cotton availability and prices are likely to remain stable this year. The other major impediment was power availability, its quality and cost. We propose to overcome this problem by installing a dedicated feeder and transmission facility which is currently under implementation. This division has spent an amount of Rs.68 lakhs on modernization and renovation.

Engineering Division

Power being the major input in this division, set back in power availability has severely affected the operations. General economic slow down has also impacted the performance. We are installing a dedicated power facility for this division also which will alleviate the problem of availability and cost of power. With improvement in economic activity, increase in requirement by down stream industries and favourable power situation will improve profitability of this division.

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 stated 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 31.3.2013.

DIRECTORS

Mr. K.Gnanasekaran and Mr.Sudarsan Varadaraj, 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 March 2013, 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, 2013 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 divisions of the company will retire at the forthcoming annual general meeting and are eligible for re-appointment.

Mr.M.Kannan, Cost Accountant has been appointed as Cost Auditor for the year 2012-2013 for the textile and foundry divisions of the company and cost audit report will be filed on or before the due date. Cost audit report for the year ended 31.3.2012 has been filed on 28.2.2013 before the time limit prescribed under the Act. Cost compliance report for the financial year ended 31.3.2012 was submitted to the Central Government on 28.2.2013.

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.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

The Company believes that its people are a key differentiator, especially in a knowledge driven, competitive and a global business environment. Adapting work culture to suit the dynamic balancing of people requirements and employee needs is an ongoing process. Fundamental HR processes which enable higher performance orientation, speed, skill and competency development, talent management are corner stones for the success of any organization.

As in the past, the industrial relations continued to remain cordial in all the divisions of the Company.

LISTING

Your Company's shares are listed at Bombay Stock Exchange Limited, Madras Stock Exchange Ltd and traded in National Stock Exchange Ltd., under permitted category.

Necessary listing fees for the year have been paid. Company has filed de-listing application with Coimbatore Stock Exchange (CSX) for de-listing of our equity shares. Company has received a letter dated 10.5.2013 from the CSX stating that the CSX ceased to be a recognized stock exchange.