



## KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED

(Our Company was incorporated as Kovilpatti Lakshmi Roller Flour Mills Private Limited on 16/12/1961, under the Companies Act, 1956, with the Registration No. 4674 of 1961. Subsequently the Company became a Public Limited Company by the name Kovilpatti Lakshmi Roller Flour Mills Limited w.e.f. 08/05/1982.)

**Registered Office** : 75/8, Benares Cape Road,  
Gangaikondan - 627352,  
Tirunelveli District, Tamil Nadu.  
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**Administrative Office:** 1054/21, Avanashi Road,  
Coimbatore - 641018  
**E-mail:** klrfgd@vsnl.com  
**Contact Person:** T. V. Krishnamurti, Compliance Officer.

**PUBLIC ISSUE OF 26,00,000 EQUITY SHARES OF RS. 10/- EACH AT A PREMIUM OF RS. 45/- PER SHARE (I.E. AT A PRICE OF RS. 55/- PER EQUITY SHARE) FOR CASH AGGREGATING RS. 1430.00 LAKHS (HEREINAFTER REFERRED TO AS THE "ISSUE").**  
**THE ISSUE PRICE IS 5.5 TIMES OF THE FACE VALUE OF THE EQUITY SHARE**

### GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and this Issue including the risks involved. The Equity Shares issued in this Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Prospectus. Specific attention of the investors is invited to the statements in the chapter titled "Risk Factors" beginning on page viii of this Prospectus.

### COMPANY'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to the Company and this Issue, which is material in the context of this Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING

The existing Equity shares of the Company are listed on Bombay Stock Exchange Ltd. (BSE / Designated Stock Exchange), Coimbatore Stock Exchange (CSX), Madras Stock Exchange (MSE). The Equity Shares through this Prospectus are also proposed to be listed on these Stock Exchanges. The Company has received in-principle approval from BSE, MSE and CSX vide their letter nos. DCS/ Sdm/sm/dm/2006, MSE/SEC/738/179/06 and CSX:2006-2007 dated 24/04/2006, 02/03/2006 and 21/04/2006 respectively.

### LEAD MANAGER TO THE ISSUE

## KEYNOTE

CORPORATE SERVICES LIMITED

**KEYNOTE CORPORATE SERVICES LIMITED**

307, Regent Chambers,  
Nariman Point, Mumbai - 400 021  
Tel.: (022) 2202 5230, Fax: (022) 2283 5467  
E-mail: klrf.fpo@keynoteindia.net  
Website: www.keynoteindia.net  
SEBI Regn. No.: INM 000003606  
AMBI Regn No: AMBI/040

### REGISTRAR TO THE ISSUE



**INTIME SPECTRUM REGISTRY LIMITED**

C-13, Pannalal Silk Mills Compound,  
LBS Road, Bhandup West,  
Mumbai - 400 078  
Tel.: (022) 2596 0320 (9 lines)  
Fax: (022) 2596 0329  
E-mail: klrf@intimespectrum.com  
Website: www.intimespectrum.com  
SEBI Regn. No.: INR 00003761

<b>PUBLIC ISSUE OPENS ON</b>	<b>MONDAY, NOVEMBER 27, 2006</b>
<b>PUBLIC ISSUE CLOSES ON</b>	<b>FRIDAY, DECEMBER 01, 2006</b>

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**DEFINITIONS & ABBREVIATIONS**

<b>Term</b>	<b>Description</b>
"Kovilpatti " or "the Company" or "our Company" or "Kovilpatti Lakshmi Roller Flour Mills Ltd." or "KLRF" or "we" or "us" and "our"	Kovilpatti Lakshmi Roller Flour Mills Limited, a public limited company incorporated under the Companies Act, 1956.
"our Group" or "our Companies" or "Group Companies"	Unless the context otherwise requires, refers to the Company on a consolidated basis, our subsidiary i.e. Eltex Super Castings Ltd. and/ or promoter group companies viz. Cape Flour Mills Pvt. Ltd., Chempaka General Finance Pvt. Ltd., Prokop Eltex India Pvt. Ltd., KLRF General Finance Pvt. Ltd., Eltex Precision Dies and Tools Pvt. Ltd. and McKinnon India Pvt. Ltd.

**Conventional/General Terms**

Act	The Companies Act, 1956
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Directors	The Directors of the Company, unless the context otherwise requires.
Equity Shares	The equity shares of face value of Rs.10/- each of the Company.
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof
Face Value	Value of paid up equity capital per Equity Share, in this case being Rs. 10/- each
Financial Year /fiscal year/ FY/ fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated
Government/ GOI	The Government of India
Indian National	A citizen of India as defined under the Indian Citizenship Act, 1955, who is not an NRI (as defined under the Foreign Exchange Management (Deposit) Regulations, 2000)
IT Act	The Income Tax Act, 1961, as amended from time to time.
Lacs/Lakhs	One tenth of a Million, i.e 10 Lacs is equivalent to 1 Million.
Memorandum/Memorandum of Association/MoA	The Memorandum of Association of Kovilpatti Lakshmi Roller Flour Mills Limited
NRI/ Non Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian origin under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue.
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000

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Reserve Bank of India Act/ RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time.
SEBI Guidelines	Means the extant Guidelines for Disclosure and Investor Protection issued by Securities and Exchange Board of India, constituted under the Securities and Exchange Board of India Act, 1992 (as amended), called SEBI (DIP) Guidelines, 2000.
SEBI Takeover Regulations/SAST	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
SICA	Sick Industrial Companies (Special Provisions) Act, 1985
Stock Exchanges	Bombay Stock Exchange Ltd., Coimbatore Stock Exchange, Madras Stock Exchange.

### Issue Related Terms

Designated Stock Exchange	Bombay Stock Exchange Ltd.
Eligible Employees	Permanent employees of KLRF and its directors who are Indian Nationals based in India and are present in India on the date of submission of the Application Form.
Equity Shares	Equity Shares of the Company of face value of Rs.10/- each unless otherwise specified in the context thereof.
Issue	The fresh issue of 26,00,000 Equity Shares of Rs.10/- each fully paid up at the Issue Price of Rs. 55/- per share aggregating Rs. 1,430.00 lacs.
Issue Management Team	The team managing this Issue as set out in the section titled "General Information" in this Prospectus.
Issue Price	The price at which Equity Shares will be issued and allotted in term of this Prospectus. The Issue Price is Rs. 55/- per Equity Share.
Promoter Group Companies	Unless the context otherwise requires, refers to those companies mentioned in the section titled "Our Promoter Group Companies" on page 56 of this Prospectus
Promoters	Mr. Suresh Jagannathan.
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue Price, the number of Equity Shares offered through this Issue and certain other information.
Registrar /Registrar to this Issue	Intime Spectrum Registry Limited, as indicated on the cover page of this Prospectus.
Retail Individual Investors (RII)	Means an investor who applies for securities for a value of not more than Rs.1,00,000/-.

### COMPANY / INDUSTRY-RELATED TERMS

Term	Description
Auditors	P. Marimuthu
Articles/ Articles of Association	The Articles of Association of Kovilpatti Lakshmi Roller Flour Mills Ltd.
Board/ Board of Directors	Board of Directors of Kovilpatti Lakshmi Roller Flour Mills Ltd. unless otherwise specified.
Director(s)	Director(s) of Kovilpatti Lakshmi Roller Flour Mills Ltd., unless otherwise specified
Memorandum/Memorandum of Association	The Memorandum of Association of Kovilpatti Lakshmi Roller Flour Mills Ltd.

**Abbreviations**

<b>Abbreviation</b>		<b>Full Form</b>
AGM	:	Annual General Meeting.
AS	:	Accounting Standards issued by the Institute of Chartered Accountants of India.
BIFR	:	Board for Industrial and Financial Reconstruction
BSE	:	Bombay Stock Exchange Limited.
BVQI	:	Bureau Veritas Quality International
CAGR	:	Compounded Annual Growth Rate.
CDSL	:	Central Depository Services (India) Limited.
CERC	:	Carbon Emission Reduction Certificate
CSX	:	Coimbatore Stock Exchange
DGFT	:	Directorate General of Foreign Trade.
DP	:	Depository Participant.
EGM	:	Extra Ordinary General Meeting of the shareholders.
EPS	:	Earnings Per Equity Share.
FCNR Account	:	Foreign Currency Non Resident Account.
FEMA	:	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations issued thereunder.
FII	:	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with SEBI under applicable laws in India. FIIs are not permitted to participate in this Issue.
FIPB	:	Foreign Investment Promotion Board.
FIs	:	Financial Institutions.
GIR Number	:	General Index Registry Number.
HUF	:	Hindu Undivided Family.
IEC	:	Importer - Exporter Code issued by the Jt. Director General of Foreign Trade, Ministry of Commerce, Government of India.
KVA	:	Kilo Volt Amperes
NAV	:	Net Asset Value.
NRE Account	:	Non Resident External Account.
NRO Account	:	Non Resident Ordinary Account.
NSDL	:	National Securities Depository Limited.
OEM	:	Original Equipment Manufacturer
P/E Ratio	:	Price/Earnings Ratio.
PAN	:	Permanent Account Number.
PPA	:	Power Purchase Agreement
RoC/Registrar of Companies	:	The Registrar of Companies, Tamil Nadu, Chennai, located at Block No. 6, B-Wing, 2nd Floor, Shastri Bhawan 26, Haddows Road, Chennai - 600 034.
RoNW	:	Return on Net Worth.
Rs./ Rupees	:	Indian Rupees, the legal currency of the Republic of India.
SCRA	:	The Securities Contract (Regulation) Act, 1956, as amended from time to time.
SCRR	:	The Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	:	The Securities and Exchange Board of India.
TNEB	:	Tamil Nadu Electricity Board
TNGST	:	Tamil Nadu General Sales Tax
UIN	:	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time.
UNFCCC	:	United Nations Framework Convention on Climatic Change
USD or \$ or US\$	:	The United States Dollar, the legal currency of the United States of America.

Notwithstanding the foregoing, in the chapter titled "Main Provisions of the Articles of Association of the Company on page 108 of this Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

## **SECTION I - GENERAL**

### **PRESENTATION OF FINANCIALS AND USE OF MARKET DATA**

In this Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word "Lakh" or "Lac" means "one hundred thousand" and the word "million" means "ten lac" and the word "Crore" means "ten million". In this Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Throughout this Prospectus, all figures have been expressed in Lacs or Crores. Unless otherwise stated all references to "India" contained in this Prospectus are to the Republic of India.

For additional definitions used in this Prospectus, see the section "Definitions and Abbreviations" on page iii of this Prospectus. In the section entitled "Main Provisions of Articles of Association" commencing on page 108 of this Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company. Industry data used throughout this Prospectus has been obtained from industry publications and other authenticated published data. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

## FORWARD-LOOKING STATEMENTS

In this Prospectus, the terms "we", "us", "our Company", "the Company", or "[KLRF]" unless the context otherwise implies, refers to Kovilpatti Lakshmi Roller Flour Mills Limited.

We have included statements in this Prospectus which contain words or phrases such as "will", "may", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward-looking statements". Such forward looking statements include statements that describe the Company's objectives, plans or goals and other statements that are not matters of historical facts.

All forward looking statements are subject to risks, uncertainties and assumption that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, among others:

- General economic and business conditions in India and other countries ;
- Our ability to successfully implement our strategy, growth and expansion plans and technological initiatives " Changes in laws and regulations that apply to industry segments in which we are operating, including laws that impact our ability to enforce our collateral ;
- Changes in political and social conditions in India;
- Changes in the foreign exchange control regulations in India.
- Our ability to respond to technological changes;
- The loss of our key employees and staff;
- Our ability to successfully launch the new products;
- Any adverse outcome in the legal proceedings in which our Company is involved; and
- The loss or shutdown of operations of our Company at any time due to strike or labour unrest.
- Changes in the value of the Rupee and other currencies;
- Potential mergers, acquisitions or restructurings and increased competition;
- Changes in our pricing policies or those of our competitors;
- Our ability to retain our clients and acquire new clients;
- Other factors beyond our control.

For further discussion of factors that could cause our actual results to differ, see the section entitled "Risk Factors" beginning on page viii of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we, our Directors, the Lead Managers, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, the Lead Managers will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Market data used throughout this Prospectus was obtained from industry data and publications. Industry publications database generally state that the information contained in those publications has been obtained from sources believed to be reliable, but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, we believe market data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed by us to be reliable, have not been verified by any independent source.

**SECTION II - RISK FACTORS**

*An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Company's Equity Shares. If any of the following risks occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.*

Unless specified or quantified in the relevant risk factors below, the financial or other implications of any of the risks described in this section cannot be quantified.

**A. SPECIFIC TO THE PROJECT****1. *The bulk of the issue proceeds is for investment in Eltex Super Castings Ltd. ["Eltex"] which is a Sick Industrial Unit***

Out of our three main business divisions viz. flour mill, textile mill and engineering, the contribution of our engineering division is minimal. As a growth strategy, our company has identified foundry as a business segment which offers good growth opportunities. With this view, our company has identified Eltex, an existing foundry unit, and has planned to revive the same to make it a separate profit centre. Our company has made substantial acquisition of the equity share capital of Eltex. Eltex being a listed company (listed on CSX and MSE), we made a public announcement in terms of SEBI (SAST) Regulations, 1997, on 03/12/2005. The open offer was completed on 03/08/2006. Eltex is now our subsidiary by virtue of our 65.44% shareholding in the Company. We propose to invest Rs. 1,700 lacs in Eltex to revive the unit.

Further, Eltex is a sick industrial unit as defined under Sick Industrial Companies Act, 1985. It has been referred to the BIFR on 12/11/1998. The BIFR had appointed State Bank of Mysore as the operating agency. BIFR vide their order dated 16/06/2004, in the case no. 313 / 98 directed the operating agency to issue an advertisement for change in management of the company, inviting offers for takeover / leasing / amalgamation / merger or any other measures contemplated under SICA for rehabilitation of the company. Eltex filed an affidavit dated 27/12/2005 with the BIFR appraising the Board about the status of our aforesaid acquisition, change in management, settlement of dues to secured creditors i.e. State Bank of Mysore, settlement of labour dues and outstanding statutory dues and dues to unsecured creditors. The BIFR Bench vide their order passed at the hearing held on 27/03/2006, had taken on record the proposed public offer of KLRF for the acquisition of equity shares of Eltex from the existing promoters for further investment in the share capital of Eltex from the proceeds of this proposed public issue. The Bench also directed us to inform the Bench about increase in the share capital of Eltex to make the net worth of Eltex positive consequent upon completion of the process of acquisition so that Eltex could be discharged from the purview of the BIFR. Accordingly, we are proposing to invest in Eltex from the proceeds of this Issue

**2. *The requirement of funds for our proposed business plans and requirements of Working Capital are not appraised by any bank or financial institution.***

As per our estimates, the cost of project is Rs. 3,060.00 lacs. We propose to fund this requirement through this public issue, term loans from a bank / financial institution and internal accruals. We have already installed two windmills costing Rs. 1,230.00 lacs during March 2006, funding for which was secured by way of a term loan from Canara Bank of Rs. 485.00 lacs and a term loan from Indian Overseas Bank of Rs. 489.00 lacs with the balance requirement of Rs. 256.00 lacs met from our internal accruals. Our estimates are based on our past experience and the same are not appraised by any bank or financial institution.

**3. *The proposed investment in Eltex by our company is not monitored by any term lending institution or Banks***

We propose to invest an amount of Rs. 1,700.00 lacs in Eltex, our subsidiary company to facilitate the completion of the process of revival and restarting of its foundry operations. We have not approached and do not propose to approach any term lending institution or bank to act as a monitoring agency for this proposed investment in Eltex. In the absence of any monitoring agency, the deployment of funds will be entirely at the discretion of the management.

**4. *A significant portion of the cost of our project is proposed to be met from the proceeds of this issue.***

Out of our total project cost of Rs. 3,060.00 lacs, an amount of Rs. 1,430.00 lacs is proposed to be met from the proceeds of this public issue. Any delays in completion of and raising funds from the public issue would have an adverse impact on our proposed schedule of implementation of certain components of the project. This in turn



could have an adverse impact on our results of operations.

**5. We may require additional capital resources to achieve our expansion plans**

The rate of our expansion will depend to an extent on the availability of adequate debt and equity capital. Our requirements will be based on cash flows generated by our business. Further, the actual expenditure incurred on our ongoing projects may be higher than current estimates owing to but not limited to, implementation delays, cost over runs or adverse market developments which may require us to source external capital resources. Some sources of funds available include commercial borrowings, vendor financing and issuing of equity or debt instruments. Increased debt financing would result in higher outflow of interest payments and we may be subject to additional covenants, limiting our ability to access the cash generated from the business. Any equity financing would result in your shareholding in the Company getting diluted.

**6. Changes in technology may impact our business by making our proposed foundry plant less competitive**

Advancement in technology may require us to make additional capital expenditure for upgrading our manufacturing facilities or may make our competitor's plants more efficient. If we are not able to respond to such technological advancement well in time, we may lose our competitiveness. At present Eltex has two 700 KW Mains frequency induction furnace and one 650 KW Medium frequency furnace which are up to date in terms of foundry technology available today. But, rapid advancements are being made in this field and the introduction of newer, more efficient furnace technology may render the foundry units of Eltex uncompetitive unless the required investments are made to incorporate any relevant new technology into the foundry units.

**7. Our inability to deliver as per our business plan could have an adverse impact on our results from operations**

Our growth plans are considerable and would put significant demands on our management team and other resources. Demand for the engineering products produced by our engineering division may not grow at the rate anticipated by our Company. In addition, our proposed diversification into the foundry markets may present production and distribution challenges that differ from those in our current operations. These factors could cause diversion of management attention leading to delays and cost overruns.

**B. INTERNAL TO THE COMPANY**

**1. Our Company is involved in certain legal and regulatory proceedings that, if determined against the Company, could have a material adverse impact on the Company.**

A] Pending litigation / cases against the Company

The Company is party to various legal proceedings, including civil proceedings, labour cases, sales tax cases, customs and excise tax cases pending against the Company. These proceedings are pending at different levels of adjudication before various courts, and if determined against the company, could have a material adverse impact on the business, financial condition and results of operations. The summary of the cases filed against the company is as given below.

S. No.	Particulars	No. of cases / disputes	Amount involved where quantifiable (Rs. In lakhs)
1.	Shareholders' Cases	3	2.55
2.	Cases by Government Authorities	4	4.66
3.	Labour Cases	6	Not Quantifiable
4.	Immovable Property Cases	2	Not Quantifiable
5.	Notice received from Lawyers	1	12.22

For further details on these proceedings, see the section "Outstanding Litigation" commencing from page 78 of this Prospectus.

B] Pending litigation / cases by the Company

The Company is party to various legal proceedings filed by the Company, including civil proceedings, consumer cases, labour cases, sales tax cases, customs and excise tax cases. These proceedings are pending at

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different levels of adjudication before various courts, and if determined against the company, could have a material adverse impact on the business, financial condition and results of operations. The summary of the cases filed by the company is as given below.

S. No.	Particulars	No. of cases / disputes	Amount involved where quantifiable (Rs. In lakhs)
1.	Recovery of Dues from Debtors	7	27.04
2.	Cases against Government Authorities	2	85.30

For further details on these proceedings, see the section "Outstanding Litigation" on page 79 and 81 of this Prospectus.

### C] Pending litigation against our subsidiary Eltex Super Castings Limited.

Eltex is party to various legal proceedings, including civil proceedings, consumer cases, labour cases, sales tax cases, customs and excise tax cases. These proceedings are pending at different levels of adjudication before various courts, and if determined against the company, could have a material adverse impact on the business, financial condition and results of operations. The summary of the cases filed against the company is as given below.

S. No.	Particulars	No. of cases / disputes	Amount involved where quantifiable (Rs. In lakhs)
1.	Labour Disputes	1	Not quantifiable
2.	Statutory Dues	6	109.12
3.	Central Excise	3	To be determined
4.	Sales Tax	several	To be determined

For further details on these proceedings, see the section "Outstanding Litigation" commencing from page 82 of this Prospectus.

### D] Pending litigation / cases against our group company Cape Flour Mills Private Limited

Cape Flour Mills Pvt. Ltd. is party to various legal proceedings, including civil proceedings, consumer cases, labour cases, sales tax cases, customs and excise tax cases. These proceedings are pending at different levels of adjudication before various courts, and if determined against the company, could have a material adverse impact on the business, financial condition and results of operations. The summary of the cases filed against the company is as given below.

S. No.	Particulars	No. of cases / disputes	Amount involved where quantifiable (Rs. In lakhs)
1.	Income Tax Dispute	2	To be determined
2.	Tamil Nadu Electricity Board	2	5.39

For further details on these proceedings, see the section "Outstanding Litigation" commencing from page 85 of this Prospectus.

## 2. Group Company Losses

Four of our group companies viz. Eltex Super Castings Ltd. ["Eltex"], Prokop Eltex (India) Pvt. Ltd. ["Prokop"], Eltex Precision Dyes & Tools Pvt. Ltd. ["EPDT"] and McKinnon India Pvt. Ltd. ["McKinnon"] have made losses in at least one of the last three financial years. For further details on the respective group companies please refer to the section titled "Our Promoter Group Companies" on page 56 of this Prospectus.

## 3. Conflict of Interest

Cape Flour Mills Pvt. Ltd., one of our Group Companies, located at Nagercoil is engaged in the flour milling operations. Mr. Suresh Jagannathan, Promoter and Managing Director of our Company, has substantial interest in Cape Flour Mills Pvt Ltd., which in turn is also part of the promoter group of KLRM. Cape is currently utilizing the

"Kuthuvillaku" trademark under license from KLRF for its wheat flour product, for which Cape is currently paying a trademark usage charge of Rs. 10,000/- per month. We have received approval from the Company Law Board for the renewal of the trademark usage agreement. To that extent, both the companies are engaged in wheat flour milling business there could be conflict of business between the two.

**4. Risk associated with contingent liabilities**

As on 30/06/2006, contingent liabilities are as follows:

		(Rs. Lacs)
a.	Bank Guarantee	44.10
b.	Customs authority has confirmed import duty demands in respect of wheat imported. The company has disputed the said demands and has filed appeal to Appellate Authority.	19.47
	<b>TOTAL</b>	<b>63.57</b>

In the event any of the above contingent liabilities materialize, it may have an adverse affect on our financial performance.

**5. Restrictive covenants in Term Loan Agreements**

There are restrictive covenants in agreements the Company has entered into with certain banks for short-term loans and long-term borrowings. These restrictive covenants requires to seek the prior permission of the said banks for various activities, including amongst others, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger/amalgamation/ restructuring, change in management, payment of dividends etc.

**6. Management's ability to operate new foundry business**

We have no prior experience in the operation of a foundry business, but our company's engineering division used to manufacture sheet metal for machinery for the flour mill and textile industry. Our management has a thorough understanding of the foundry industry and the nature of clients serviced by Eltex. We have completed the refurbishment of two of the furnaces and have started their operations, while the remaining furnace is currently under refurbishment. We feel that we would be in a position to leverage our inherent strengths along with those of the key management of Eltex in order to complete the revival and conduct the foundry operations of Eltex.

**7. Pending Trademark Approvals**

In addition to our flagship registered trademark brand "Kuthuvillaku", we also market certain products under the brand names "Kera" and "Alamaram". We have applied for the registration of Kera and Alamaram as trademarks and are awaiting confirmation of their registration as trademarks of our Company.

**8. Our business is dependent on our manufacturing facilities. The loss of or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.**

Our principal manufacturing facilities at Gangaikondan, Subbiahpuram and Coimbatore (all in the state of Tamil Nadu) are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs, continued availability of services of our external contractors, earthquakes and other natural disasters such as tsunamis and cyclones, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results. We carry out planned shutdowns of our plants for maintenance. Although we take precautions to minimize the risk of any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.

**9. The value of our brand, and our sales, could be diminished if we are associated with negative publicity.**

Our business is dependent on the trust our customers have in the quality of our merchandise. Our flagship brand Kuthuvillaku and support brands Kera and Alamaram enjoy good recognition and acceptance among our target consumers. Any negative publicity regarding our company, brands, or products, including those arising from a drop in quality of merchandise from our vendors, mishaps at our store sites, or any other unforeseen events could adversely affect our reputation and our results from operations.

**10. Our success depends upon our ability to manage our growth of business**

We expect our current business plans to help our Company sustain and improve our growth rate. However, such growth will create pressure on our management and other resources. Any inability on our part to address the

challenges associated with expansion such as ours may adversely affect the prospects of our Company. Further, any inability on our part to generate orders for the expanded capacities may adversely affect our growth prospects.

**11. Our success depends largely on our senior management and our ability to attract and retain our key personnel.**

Our success depends on the continued services and performance of the members of our management team and other key employees. Competition for senior management in the industry is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. The loss of the services of our Promoters could seriously impair our ability to continue to manage and expand our business. Further, the loss of any other member of our senior management or other key personnel may adversely affect our business, results of operations and financial condition. We do not maintain 'key man' life insurance for our Promoters, senior members of our management team or other key personnel.

**C. EXTERNAL RISK FACTORS**

**1. We face significant competition from the existing companies and future entrants in the industry segments in which we operate.**

**Wheat Milling:** This industry is very location specific and commoditized. Typically, a single flour mill can address a market area of 200 sq. kms. around the mill as the cost of freight beyond this area renders the product uncompetitive on pricing. Our addressable market is concentrated in the Central and Southern belts of Tamil Nadu and Kerala. In this region, there are several other flour mills operational and serving the same market.

**Cotton Yarn:** Our Cotton Yarn division is primarily engaged in the conversion of cotton fibre into different types of yarn. Cotton yarn is a generic, commoditized product and the major distinguishing factors are the strength of the yarn and the consistency of quality over several batches. There are hundreds of units operating in this sector and several are present in the same geographical area where our units are located.

**Engineering:** The present contribution of the engineering division is not significant. The acquisition of Eltex and revival of its foundry units has exposed us to competitive pressures present in the foundry industry in India.

**2. We are subject to adverse impact of economic and political conditions.**

Global economic and political factors that are beyond our control, influence forecasts and directly affect performance. These factors include interest rates and its impact on rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends, terrorist threats and activities, worldwide military and domestic disturbances and conflicts, and other matters that influence consumer confidence, spending and tourism. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. The taxation system within the country still remains complex.

**3. The windmills do not operate at optimum levels for all months of the year.**

We have set up our windmills in the Kanyakumari and Tirunelveli districts of Tamil Nadu. We have set up two new windmills of 1.25 MW each during March 2006, as part of our project, in Parameshwarapuram village in the Tirunelveli district of Tamil Nadu. The advantage of these locations is that they benefit from both the South West monsoon winds and the North East monsoon winds. But the effective wind generation months are from May to January, a period of nine months. During the remaining three months of the year, the wind mills do not operate at optimum capacity due to lack of adequate wind speeds. Thus the financial benefit of generation of power from windmills is applicable only for a limited period during the year.

**4. We are subject to risks arising from exchange rate fluctuation**

Our textile division exports material to East Asian countries like Singapore and Malaysia. Currently, exports of textile material constitutes approximately 10% of the total revenues of the textile division. We propose to increase the quantum of exports from the division so that we can take advantage of the improved margins that are present in the export business. All our export trade is denominated in U.S. Dollars. Given the inherent unpredictability of the Rupee/USD exchange rate, any rise in the Rupee against the US Dollar, would adversely affect our export competitiveness.

**5. We may experience fluctuations in our stock price, which may affect the trading price of the equity shares issued in this Offering.**

The stock market in general from time to time, has experienced considerable price fluctuations. Often, these changes may have been unrelated to the operating performance of the affected companies. In addition, factors such as competition, general regional and national economic conditions, bulk deal in our stocks, new product introductions and changes in our product mix, timing and effectiveness of promotional events and lack of new product introductions to spur growth in sales may have an adverse effect on the market price of our shares.

**Note:** Present stock price is not indicative of any future price or performance

**Notes**

1. Public Issue of 26,00,000 Equity Shares of Rs. 10 each at a price of Rs. 55/- for cash aggregating Rs. 1,430.00 lacs, including reservations. For details on reservation please refer to the section titled "Capital Structure" on page 9.
2. The net worth of our Company, as per our financial statements as at 30/06/2006 is Rs. 1,807.08 lacs.
3. The average cost of acquisition of Equity Shares by our Promoters/ Promoter Group, is Rs. 26.66 per Equity Share.
4. Book value of the Equity Shares of the Company, as per our audited financial statements as at 30/06/2006 is Rs. 75.26 per Equity Share.
5. For details on interests of our promoters / directors, refer to page 50 of this Prospectus.
6. For details on Related Party Transactions refer to the chapter titled "Related Party Transactions" on page 74 of this Prospectus.
7. Investors are free to contact the Lead Manager for any complaints/ information/ clarification pertaining to this Issue. For contact details of the Lead Manager, please refer to the cover page of this Prospectus.
8. All information shall be made available by the Lead Manager and the Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
9. Investors are advised to refer to the paragraph on "Basis of Issue Price" on page 23 of this Prospectus before making an investment in this Issue.

PART I

**SECTION III : INTRODUCTION**

**SUMMARY**

**This is only a summary and does not contain all the information that you should consider before investing in our Equity Shares. You should read the entire Prospectus, including the information contained in the chapters titled "Risk Factors" and "Financial Statements" and related notes beginning on page viii and page 60 of this Prospectus before deciding to invest on our Equity Shares.**

**COMPANY OVERVIEW**

We are a forty five year old diversified company, headquartered at Gangaikondan in the Tirunelveli District of the southern Indian state of Tamil Nadu and engaged in the activities of Wheat Flour milling, production of Cotton Yarn and Sheet Metal Fabrication. We also operate windmills for the generation of electricity which is utilized for our internal consumption.

We have a registered trademark "Kuthuvillaku" which is used for products marketed by our flour and textile divisions. Our flour division manufactures wheat flour and markets it extensively in the South and Central regions of the states of Tamil Nadu and Kerala. Our textile division manufactures cotton yarn which it markets primarily to clothing units in Maharashtra and Tamil Nadu and exports to East Asian countries such as Korea, Malaysia and Singapore. We are proposing to expand the scope of our sheet metal operations through the acquisition of Eltex Super Castings Ltd. and restarting of Eltex's foundry units. We will cater to the demands of leading domestic automotive and engineering companies as well as revive the European business of Eltex.

Our Company is promoted by Mr. Suresh Jagannathan and equity shares of the Company are listed on the BSE, MSE and CSX.

**BACKGROUND AND EVOLUTION**

Our wheat flour mill commenced operation in the year 1964, with the establishment of a wheat roller flour mill facility at Gangaikondan village, Tirunelveli district, Tamil Nadu, with a milling capacity of 2,000 tons per month. We manufacture wheat products under the brand name "Kuthuvilakku". With the increase in demand it became necessary to increase the milling capacity. We undertook an expansion program in the year 1978 and the total milling capacity was increased to 5,000 tons a month. Our reach in the market also increased considerably and we continue to have a substantial presence in the southern districts of both Tamil Nadu and Kerala. In Tamil Nadu our markets extend from Kanyakumari to Madurai and in Kerala from Trivandrum to Alleppy and Kottayam.

The Company established an Engineering Division in the year 1978 for the manufacture of Sheet Metal products to cater to the requirements of textile machinery and other capital goods manufacturers. Since 2001, the Company ceased to operate the unit on its own and instead, the fabrication facilities had been leased out to Mr. R. Soundararaju who was conducting the fabrication activities and catering to the existing customers of KLRF. As per the agreement, KLRF earned Rs. 1,75,000/- per month as lease charges. This agreement has expired on 30/09/2006. From 01/10/2006, we have taken over the operations of this division and are running it ourselves.

The company undertook further diversification in 1982 and established a cotton textile-spinning mill in Gangaikondan village, Tirunelveli district adjacent to the flour mill, for the manufacture of cotton yarn. It started with a capacity of 12,000 spindles which subsequently expanded to 29,520 spindles with 12 combers, 6 auto coners, auto leveler drawframes and a yarn conditioning plant over time. In 1988, a second textile mill was commissioned at N. Subbiahpuram village, Virudunagar district, Tamil Nadu. It was an open-end spinning unit with 672 rotors. Subsequently, the capacity has been expanded to 1,344 rotors.

We have installed windmills commencing from 1994-1995 and currently have an installed capacity of 6.25 MW of power generation through windmills for captive consumption. This has resulted in lower power cost for the company and tax benefits.

The flour milling division milled 42,190 tons of wheat in the year 2005-2006. This accounted for 51.18% of the turnover of the company. The company has undertaken an infrastructure development activity by increasing storage capacity and installation of wheat conveying equipment during the year 2005-2006.

## KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED

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This is expected to result in reduction in material handling expense and improvement in product quality in the coming years.

The textile division produced 48,16,383 kgs of cotton yarn valued at Rs. 46.13 crores which contributed to 48.82% of the turnover of the company in 2005-2006. An investment of Rs. 375.00 lakhs has been made to optimize spinning productivity and to achieve flexibility in processing capabilities during 2005-2006.

An investment of Rs. 1,230.00 lakhs was made in March 2006 to install two additional wind mills with a capacity of 1.25 MW each which is expected to generate around 68 lakh units a year for our consumption.

### **Key Strengths of our Company**

KLRF is a well-diversified company, which has presence in wheat flour milling, cotton yarn spinning (both ring spun and open end spun yarn), sheet metal fabrication and generation of electricity through windmills for own consumption.

#### ● **Manufacturing capabilities:**

The flour milling division operates a modern, technologically advanced facility, and manufactures products of the highest standard. The company has undertaken continuous modernisation and upgradation of the facilities, which has resulted in high productivity levels. The flour milling division has obtained ISO 9001 certification from TUV in 19/07/2000. The flour milling division of our company was the first in India to obtain ISO 9001 certification from TUV on 19/07/2000.

It has also secured the following awards:

- Recipient of Roller Flour Millers Federation Award for the best performance in the R&D during 1990-1991.
- Recipient of Roller Flour Millers Federation Award for the best performance in Pollution Control during 1993-1994.
- Recipient of Roller Flour Millers Award for Exports (South Zone) during 1995 - 1996.
- Recipient of Roller Flour Millers Award for the Innovative efforts during 1995 - 1996.
- Recipient second best productivity performance in cereal (Flour Milling) Processing Industry from National Productivity Council Award 1999 - 2000.
- Recipient of certificate of merit from National Productivity Council of India for the year 2003 - 04.

The Textile Division at Gangaikondan has a capacity of 29,520 ring spindles. The company has the facility to manufacture ring spun yarn from 30s to 100s counts. The company has undertaken continuous modernisation and accreditation of facilities and has installed latest generation equipment like autoconers, combers, gassing machine, doubling machines and a yarn conditioning plant. This division also has obtained ISO 9002 certification from TUV in the year 1999.

Textile Unit II is located at N. Subbiahpuram, Sattur Taluk has a capacity of 1,344 rotors to produce around 8,000 kgs per day, which is used by manufacturers of furnishing fabrics, garment etc. The entire plant and machinery from blow room to spinning has been supplied by Lakshmi Machine Works [LMW], Coimbatore. The division also has state of the art "Two for One" twistors for manufacturing multifolded yarn.

#### ● **Engineering Unit:**

The Company has a sheet metal fabrication facility at Coimbatore to cater to the needs of OEMs like LMW, Elgi, etc. Presently the operations of this division are very small compared to the food and textile division. The company has proposed to strengthen this division by acquiring a substantial stake in Eltex Super Castings Ltd, which is a foundry unit located adjacent to our present engineering division.

#### ● **Wind Mill:**

The Company at present has an installed capacity of 6.25 MW of power generation through windmills including the 2.5 MW capacity of two new windmills of 1.25 MW each procured from Suzlon and installed in March 2006. The entire power generated by the existing operation of this division is consumed in house by our food, textile and engineering divisions. This results in a saving of up to Re. 1/- per unit of power consumed as compared to power procured directly from the TNEB. During the year 2005-2006, 63.8 lakh units were generated. Further the company is taking active steps to procure the accreditation to avail the benefits of carbon credit.

- **Marketing:**

The wheat flour products manufactured by the company enjoy excellent market reputation in the southern regions of Tamil Nadu and Kerala. The wheat flour products like maida, sooji and atta for human consumption and bran used as cattle feed are sold under the Kuthuvilakku brand both in bulk and retail packets. The products enjoy unique market reputation due to the excellent quality maintained for the products. The Kuthuvilakku brand is a registered trademark and copyright belonging to the company. All the products are sold through dealers who are in South Tamil Nadu and South Kerala. A majority of the dealers have been associated with the company since inception and have demonstrated considerable loyalty to the company.

The super fine counts of yarn are sold through depots and agents who have been associated with the company since the inception of textile mill in the year 1982. The super fine counts ranging from 92s to 100s, in the form of doubled, gassed, auto coned, spliced and conditioned yarn, are used for the manufacture of high quality fabrics. The Unit also manufactures hosiery yarn, which is used for knitted garments. The company has been consistently exporting this yarn to various countries and also has been supplying to various knitting fabric manufacturers at Tiruppur. The cotton yarn manufactured in Unit II ranges from 6s to 20s and is mostly used for manufacture of home furnishing fabrics. This yarn also is sold through agent and depots located at various locations.

We have nearly completed the revamp and restructuring of the operations of Eltex Super Castings Ltd. which has manufacturing capabilities of producing castings. The castings have applications in automotive, compressor, pumps and valves industry and textile industry among other industries. We have already restarted two of the three furnaces in the foundry and the remaining furnace will be operational in the next three months.

The major clients of Eltex at the time of its closure included:

- TVS Group companies who are involved in automotive industries.
- Amalgamation Group who are also involved in tractor manufacture and automotive industry.
- Elgi Group who are involved in compressor manufacturing.
- LMW who are leaders in textile machinery
- Audco India who are leaders in valve manufacturing.

Most of these companies have evinced interest in procuring components manufactured by Eltex. Eltex had a very good track record for supplying high quality castings to the above listed companies. Hence we do not foresee any difficulty in renewing the relationships with the previous customers of Eltex

- **Location:**

The flourmill and Unit I of the textile mill are situated at Gangaikondan and Unit II of textile mill at N. Subbiahpuram Village, Sattur Taluk is situated at National Highways No.7. The Sheet Metal division is located at Perianaickenpalayam, Mettupalayam Road, Coimbatore and the windmills are located in Aralvoimozhy pass, which is the most wind prone area and is one of the best sites for location of wind mills. The flourmill and textile divisions are located within a radius of 65 kilometers from Tuticorin Port, which helps the company to minimize the freight cost for both imports and exports.

- **Management:**

Our Company has a competent management set up. The key managerial and executive personnel have long associations with KLRF. The promoters have been involved in flour mills, and textile industry for several decades and have hands-on experience in flour milling, textile and engineering industry.

- **Employee cost:**

The Company introduced a voluntary retirement scheme for all permanent workers in the textile division during the year 2002. The unique feature of this voluntary retirement scheme is that all permanent employees opted for VRS and the company was in a position to reduce labour cost from 2002. The highly paid workers have been replaced by introducing scheme workers with a scientific workload assignment. The company has been able to achieve substantial decrease in labour cost per kg. of cotton yarn produced.



## FINANCIAL HIGHLIGHTS

## STATEMENT OF PROFIT AND LOSS (Restated)

(Rs. in lacs)

Particulars	For the year ended 31st March					Three months ended
	2002	2003	2004	2005	2006	30/06/2006
<b>Income</b>						
Sales and charges	7,660.11	7,361.81	9,184.31	9,638.57	9,282.77	2,578.69
Other Income	14.49	17.36	22.98	29.70	24.46	5.33
Increase / Decrease in Finished Goods Stock	-27.75	4.07	41.31	-103.26	76.34	71.80
<b>Total</b>	<b>7,646.85</b>	<b>7,383.25</b>	<b>9,248.60</b>	<b>9,565.01</b>	<b>9,383.57</b>	<b>2,655.82</b>
<b>Expenditure</b>						
Raw material consumed	5,369.89	5,118.15	6,666.52	6,907.43	6,564.97	1,953.40
Staff Costs	477.85	311.89	263.81	282.93	382.60	81.40
Depreciation	216.27	199.58	209.48	197.03	260.52	96.46
Other expenses	1,107.01	1,098.52	1,317.88	1,265.40	1,124.47	243.60
Administration Expenses	111.61	88.83	80.42	103.94	121.39	25.65
Selling and Distribution Expenses	164.95	148.72	190.99	183.95	163.24	40.43
Interest	277.36	298.22	297.91	275.11	324.27	97.27
<b>Total</b>	<b>7,724.94</b>	<b>7,263.90</b>	<b>9,027.01</b>	<b>9,215.80</b>	<b>8,941.46</b>	<b>2,538.21</b>
<b>Net profit before tax and Extra-ordinary Items</b>	-78.09	119.34	221.59	349.21	442.11	117.61
Taxation - Current Liability	0.00	4.20	9.79	19.81	29.08	10.71
- Deferred Liability /						
(-) Assets	-31.64	-113.79	25.20	51.00	1.64	0.00
- Fringe Benefit Tax	0.00	0.00	0.00	0.00	4.03	0.52
<b>Net Profit before Extra-ordinary Items</b>	<b>-46.45</b>	<b>228.94</b>	<b>186.60</b>	<b>278.39</b>	<b>407.36</b>	<b>106.38</b>
Extra-ordinary Items	8.00	66.05	94.19	96.59	96.59	22.15
<b>Net Profit after Extra-ordinary Items</b>	<b>-54.45</b>	<b>162.89</b>	<b>92.41</b>	<b>181.80</b>	<b>310.77</b>	<b>84.23</b>

STATEMENT OF ASSETS AND LIABILITIES (Restated)

(Rs. in lacs)

Particulars	As At 31st March					Three months ended
	2002	2003	2004	2005	2006	30/06/2006
<b>FIXED ASSETS (A)</b>						
Gross Block	3,752.14	3,790.78	3,828.35	4,498.57	6,105.84	6,112.10
Less : Depreciation	2,137.19	2,333.18	2,524.74	2,705.63	2,962.13	3,058.22
Net Block	1,614.96	1,457.60	1,303.61	1,792.94	3,143.71	3,053.88
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Net Block after adjustment for revaluation reserve	1,614.96	1,457.60	1,303.61	1,792.94	3,143.71	3,053.88
Investments (B)	15.98	17.29	9.92	6.28	1.50	1.50
Current Assets, Loans and Advances						
Inventories	690.59	1,300.97	1,652.19	1,899.73	1,888.78	2,901.63
Sundry Debtors	752.76	605.08	592.25	684.06	739.17	850.83
Cash and Bank Balances	67.14	68.15	103.79	96.53	133.92	53.64
Loans and Advances	481.74	395.55	313.05	443.95	1,171.38	1,236.39
Other Current Assets if any	0.00	0.00	0.00	0.00	0.00	0.00
Total (C)	1,992.23	2,369.75	2,661.27	3,124.27	3,933.25	5,042.49
Deferred Tax Assets (D)	31.64	145.43	0.00	0.00	0.00	0.00
Deferred Revenue Expenditure (E)	32.01	397.51	303.31	218.72	122.12	99.97
<b>TOTAL ASSETS (A+B+C+D+E)</b>	<b>3,686.82</b>	<b>4,387.57</b>	<b>4,278.11</b>	<b>5,142.21</b>	<b>7,200.58</b>	<b>8,197.84</b>
Liabilities and Provisions						
Secured Loans	1,903.78	1,909.44	1,701.11	2,311.12	3,744.05	3,795.07
Unsecured Loans	394.28	736.64	578.29	526.42	1,060.11	1,389.69
Current Liabilities and Provisions	190.37	403.76	712.41	821.05	565.71	1,098.13
<b>Total (F)</b>	<b>2,488.43</b>	<b>3,049.84</b>	<b>2,991.81</b>	<b>3,658.60</b>	<b>5,369.86</b>	<b>6,282.90</b>
Net worth (G)	1,198.39	1,337.73	1,231.07	1,377.38	1,722.85	1,807.08
Represented By						
Share Capital	209.26	209.26	209.26	209.26	240.10	240.10
Reserves	989.13	1,128.47	1,021.81	1,168.12	1,482.75	1,566.98
Less : Revaluation Reserves	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Tax Liabilities (H)	0.00	0.00	55.23	106.23	107.87	107.87
<b>TOTAL LIABILITIES (F+G+H)</b>	<b>3,686.82</b>	<b>4,387.57</b>	<b>4,278.11</b>	<b>5,142.21</b>	<b>7,200.58</b>	<b>8,197.84</b>

## THE ISSUE

Type of Issue	Type of Instrument	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration
Public Issue	Equity Shares	26,00,000	10/-	55/-	Cash

## ISSUE BREAK-UP

Equity Shares offered	26,00,000 Equity Shares
Reserved for allotment to Employees <sup>(1)</sup>	2,60,000 Equity Shares
Reserved for allotment to NRI's/FII's <sup>(1)</sup>	5,20,000 Equity Shares
Reserved for allotment to Banks/Mutual Funds/ Indian Financial Institution <sup>(1)</sup>	5,20,000 Equity Shares
Reserved for allotment to the existing shareholders <sup>(1)</sup>	2,60,000 Equity Shares
Net Issue to the public <sup>(2)</sup>	10,40,000 Equity Shares
Equity shares outstanding prior to the Issue	24,01,046 Equity Shares
Equity shares outstanding after the issue	50,01,046 Equity Shares

## Use of proceeds:

Please see section entitled "Objects of the Issue" on page 14 of this Prospectus

- (1) Under-subscription, if any, in any of the above categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company and Lead Manager.
- (2) Under-subscription, if any, in any of the reserved categories mentioned above will be added back to the Net Issue and the proportionate allocation of the same would be at the sole discretion of the Company in consultation with the Lead Manager.

## ISSUE PROGRAM

ISSUE OPENS ON	MONDAY, NOVEMBER 27, 2006
ISSUE CLOSES ON	FRIDAY, DECEMBER 01, 2006

**GENERAL INFORMATION**

**Registered Office of the Company**

75/8, Benares Cape Road,  
Gangaikondan - 627352,  
Tirunelveli District.  
Tel No.: +91 (462) 2300231;  
Fax No.: +91 (462) 2486132  
E-mail : klrfgd@vsnl.com  
Contact Person: Mr. T. V. Krishnamurti, Compliance Officer  
Registration Number: 4674 of 1961.

Our Company is registered with the Registrar of Companies, Tamil Nadu situated at Chennai.

**Board of Directors**

Our current Board of Directors consists of the following:

Nos.	Name	Designation
1.	Mrs. J. Chandrakanti	Vice Chairman
2.	Mr. Suresh Jagannathan	Managing Director
3.	Mr. V. N. Jayaprakasam	Executive Director
4.	Mr. Sudarsan Varadaraj	Non Executive Director
5.	Mr. N. V. Srinivasan	Non-Executive Director
6.	Mr. S. Govindan	Non Executive Director
7.	Dr. R. Sethumadhavan	Non Executive Director
8.	Mr. K. Gnanasekaran	Non-Executive Director

For further details of our Board of Directors, please refer to the chapter titled "Our Management" on page 46 of this Prospectus.

**Company Secretary & Compliance Officer**

Mr. T. V. Krishnamurti  
75/8, Benares Cape Road,  
Gangaikondan - 627352, Tirunelveli District  
Tel No.: +91 (462) 2300231;  
Fax No.: +91 (462) 2486132  
Email: klrfgd@vsnl.com

**LEAD MANAGER TO THE ISSUE**

**KEYNOTE**

CORPORATE SERVICES LIMITED  
**KEYNOTE CORPORATE SERVICES LIMITED**  
307, Regent Chambers,  
Nariman Point, Mumbai - 400 021  
Tel.: (022) 2202 5230, Fax: (022) 2283 5467  
E-mail: klrf.fpo@keynoteindia.net  
Website: www.keynoteindia.net  
SEBI Regn. No.: INM 000003606  
AMBI Regn No: AMBI/040  
Contact Person: Mr. Vikram Subramaniam

**REGISTRAR TO THE ISSUE**



**INTIME SPECTRUM REGISTRY LIMITED**

C-13, Pannalal Silk Mills Compound,  
LBS Road, Bhandup West,  
Mumbai - 400 078  
Tel.: (022) 2596 0320 (9 lines)  
Fax: (022) 2596 0329  
E-mail: klrf@intimespectrum.com  
Website: www.intimespectrum.com  
SEBI Regn. No.: INR 00003761  
Contact Person: Mr. Salim Shaikh

**Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.**

### Legal Advisors to the Issue

#### Ramani & Shankar

Advocates,  
152, Kalidas Road,  
Ramnagar, Coimbatore - 641 009  
Tel: (0422) 2231955, 2232179  
Fax: (0422) 2233175  
Email: ramanishankar@vsnl.net

### Bankers to the Issue

#### The Hongkong and Shanghai Banking Corporation Ltd.

52/60, Mahatma Gandhi Road,  
Mumbai - 400 001.  
Tel: +91-22-22681673  
Fax: +91-22-22734388

#### HDFC Bank Ltd.

Trade World, 'A' Wing, 2nd Floor,  
Kamala Mills Compound,  
Senapati Bapat Marg,  
Lower Parel, Mumbai - 400 013  
Tel: +91-22-24988484  
Fax: +91-22-24963871

#### Canara Bank

Capital Market Service Branch,  
11, Homji Street,  
Varma Chambers, Fort,  
Mumbai - 400 001.  
Tel: +91-22-22661618  
Fax: +91-22-22664140

#### Indian Overseas Bank

2/10, Elphinstone Building,  
Veer Nariman Road,  
Horniman Circle,  
Fort, Mumbai - 400 023  
Tel: +91-22-22045078  
Fax: +91-22-22045669

### Statutory Auditors

P. Marimuthu  
Chartered Accountants  
Membership Number : 5770  
174-E/19, Nellai Lodge, Tirunelveli - 627 351.  
Tel No. : (0462) 2338576

### Bankers to the Company

#### Canara Bank

Post Box No. 34  
41-B Raja Building,  
Tirunelveli Junction,  
Tirunelveli - 627 001  
Tel. No. : (0462) 2333397

#### Indian Overseas Bank

No. 1 to No. 4  
South Car Street,  
Tirunelveli Town,  
Tirunelveli - 627 006  
Tel. No. : (0462) 2333203, 2333632

### Credit Rating

As this is an Issue of Equity Shares there is no credit rating for this Issue.

### Trustees

As this is an Issue of Equity Shares, the appointment of Trustees is not required.

### Monitoring Agency

The Audit Committee of the Board will monitor the utilization of the proceeds of the Issue.

### Underwriting Agreement

The present Public Issue is not underwritten

**CAPITAL STRUCTURE**

The share capital of our Company as on the date of filing of this Prospectus with SEBI is as set forth below.

Share Capital as on the date of filing of this Prospectus	Amount in Rupees	
	Aggregate Value at Nominal Price	Aggregate Value at Issue Price
<b>A.</b> Authorised Capital 1,00,00,000 Equity Shares of Rs. 10/- each.	10,00,00,000	
<b>B.</b> Issued, Subscribed and Paid-Up Capital before this Issue 24,01,046 Equity Shares of Rs. 10/- each.	2,40,10,460	
<b>C.</b> Present Issue to the public in terms of this Prospectus 26,00,000 Equity Shares of Rs. 10/- each at a price of Rs. 55/- per Equity Share	2,60,00,000	14,30,00,000
Out of which		
(I) 5,20,000 Equity Shares are reserved for the Banks, Mutual Funds and Financial Institutions at Issue Price	52,00,000	2,86,00,000
(II) 5,20,000 Equity Shares are reserved for the NRIs / FIIs at Issue Price	52,00,000	2,86,00,000
(III) 2,60,000 Equity Shares are reserved for the Employees at Issue Price	26,00,000	1,43,00,000
(IV) 2,60,000 Equity Shares are reserved for the existing shareholders of the Company at Issue Price **	26,00,000	1,43,00,000
<b>D.</b> Net Offer to the Public 10,40,000 Equity Shares as Net Offer to the Public	1,04,00,000	5,72,00,000
<b>E.</b> Paid up Capital After the Issue 50,01,046 Equity Shares of Rs. 10/- each	5,00,10,460	
<b>F.</b> Securities Premium Account Before this Issue	4,72,15,420	
After this Issue	16,42,15,420	

\*\* The specified date has been determined as 17/11/2006 for the existing shareholders of the Company who are eligible to participate in this category.

**Note:**

- i. Undersubscribed portion in any reserved category may be added to any other reserved category
- ii. The unsubscribed portion, if any, after such inter se adjustments amongst the reserved category shall be added back to the net offer to the public.
- iii. In case of undersubscription in the net offer to the public portion, spillover to the extent of undersubscription shall be permitted from the reserved category to the net offer to the public.
- iv. Changes in the authorized capital since inception are as follows:

Date of Resolution	Authorized Capital increased from	Authorized capital increased to
16/12/1961	Nil	9,000 equity shares of Rs. 100/- each aggregating to Rs. 9,00,000/-
21/12/1981	9000 equity shares of Rs. 100/- each aggregating to Rs.9,00,000/-	5,00,000 equity shares of Rs. 10/- each aggregating to Rs.50,00,000/-
24/12/1982	5,00,000 equity shares of Rs.10/- each aggregating to Rs.50,00,000/-	10,00,000 equity shares of Rs. 10/- each aggregating to Rs.1,00,00,000/-
08/10/1991	10,00,000 equity shares of Rs.10/- each aggregating to Rs.1,00,00,000/-	50,00,000 equity shares of Rs. 10/- each aggregating to Rs.5,00,00,000/-
21/10/2005	50,00,000 equity shares of Rs.10/- each aggregating to Rs.5,00,00,000	1,00,00,000 equity shares of Rs. 10/- aggregating to Rs.10,00,00,000/-

**Notes to the Capital Structure:**

1. Details of present Equity Share Capital of the Company are as follows:

Date of Allotment	Face Value (Rs.)	Issue Price (Rs.)	No. of Shares	Cumulative paid-up capital	Nature of allotment	Consideration	% to Pre Issue Capital	% of post Issue Capital
08/05/1982	10	10	1,60,000	1,60,000	Existing capital at the time of conversion into public limited company	Cash	6.66	3.20
12/04/1982	10	10	1,60,000	3,20,000	Bonus Issue	NIL	6.66	3.20
24/12/1982	10	11	3,07,500	6,27,500	Public Issue	Cash	12.81	6.15
25/06/1992	10	10	6,27,500	12,55,000	Bonus Issue	NIL	26.13	12.55
20/02/1993	10	80	5,29,096 *	17,84,096	Rights Issue	Cash	22.04	10.58
14/03/1997	10	26	6,16,950	24,01,046	Preferential Allotment to the Promoters	Cash	25.70	12.34
<b>TOTAL</b>			<b>24,01,046</b>				<b>100.00</b>	<b>48.01</b>

\* 98,954 Equity Shares were forfeited on 25/03/1998 as the second call of Rs. 40/- per share was not paid by the concerned shareholders, out of the total allotment of 6,28,050 Equity Shares.

**2 PROMOTERS HOLDING & LOCK IN**

The requirement of Promoters contribution is not applicable as per the details given below:

Exemption as per Clause 4.10.1(a)

- The equity shares of the Company has been listed on BSE, MSE since 1982 and on CSX since 1993.
- Company has a track record of dividend payment since 1993-1994.
- Since 1981-1982 till 2005-2006, the Company has paid dividend in 23 out of the 26 financial years

Dividend paid in the past three years are as under:

Particulars	2003-04	2004-05	2005-06
Rate %	10	15	20

3. The company has not issued any warrant, option, convertible loan, debenture or any other securities convertible at a later date into equity, which would entitle the holders to acquire further equity shares of the company.
4. The Company/Promoters/Directors/Lead Merchant Bankers have not entered into buyback, stand-by or similar arrangements for purchase of securities issued by the Company.
5. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalizing the basis of allotment.
6. Allotment shall be on a proportionate basis rounded off to the nearest integer subject to the minimum allotment being equal to the minimum application size. In case of over-subscription the proportionate allotment will be subject to the reservation for Retail Individual Investors as below:-
  - a) A minimum of 50% of the net offer to the public will initially be made available for allotment to retail individual investors.
  - b) The balance net offer to the public shall be made available for allotment to applicants other than retail individual investors.

7. The ten largest shareholders as on the date of filing of the Prospectus with ROC are as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of issued Capital
1	Suresh Jagannathan	7,30,916	30.44
2	Sri.V.Jagannathan	3,18,320	13.26
3	Cape Flour Mills P Ltd.,	2,79,500	11.64
4	Smt.Mahitha S Jagannathan	37,475	1.56
5	Sri.Suresh Jagannathan HUF	35,725	1.49
6	Sri.S.Sudhakar	25,050	1.04
7	Smt.S.Sumitha	24,225	1.01
8	Sri.Pramod Patwari	23,233	0.97
9	Sri.N.V.Srinivasan	22,600	0.94
10	Sri.D.Jayavarthanavelu	21,600	0.90
	<b>TOTAL</b>	<b>15,18,644</b>	<b>63.25</b>

8. The ten largest shareholders as on 10 days prior to the date of filing of the Prospectus with RoC are as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of issued Capital
1	Suresh Jagannathan	7,30,916	30.44
2	Sri.V.Jagannathan	3,18,320	13.26
3	Cape Flour Mills P Ltd.,	2,79,500	11.64
4	Smt.Mahitha S Jagannathan	37,475	1.56
5	Sri.Suresh Jagannathan HUF	35,725	1.49
6	Sri.S.Sudhakar	25,050	1.04
7	Smt.S.Sumitha	24,225	1.01
8	Sri.Pramod Patwari	23,233	0.97
9	Sri.N.V.Srinivasan	22,600	0.94
10	Sri.D.Jayavarthanavelu	21,600	0.90
	<b>TOTAL</b>	<b>15,18,644</b>	<b>63.25</b>

9. The ten largest shareholders two years prior to the date of filing of this Prospectus with RoC are as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of issued Capital
1	Suresh Jagannathan	7,52,818	31.35
2	V. Jagannathan	3,18,320	13.26
3	Cape Flour Mills P Ltd.	2,48,050	10.33
4	Suresh Jagannathan HUF	35,725	1.49
5	Mahitha S. Jagannathan	35,075	1.46
7	S. Sudhakar	25,050	1.04
8	S. Sumitha	24,225	1.01
8	N. V. Srinivasan	22,600	0.94
9	D. Jayavarthanavelu	21,600	0.90
10	V. Ramanuja Naidu	20,000	0.83
	<b>TOTAL</b>	<b>15,03,463</b>	<b>62.61</b>

10. Total number of shareholders as on 30/09/2006 is 3,768.



**KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED**

11. The shareholding pattern of the promoter group is as detailed below:

Particulars	Present		Post Issue	
	No. of Equity Shares of Rs.10/- each	% of Present Capital	No. of Equity Shares of Rs.10/- each	% of post Issue capital
<b>a) Promoters/Directors</b>				
Suresh Jagannathan	7,30,916	30.44	7,30,916	14.62
N. V. Srinivasan	22,600	0.94	22,600	0.45
S. Govindan	50	0.00	50	0.00
<b>Total (a)</b>	<b>7,53,566</b>	<b>31.38</b>	<b>7,53,566</b>	<b>15.07</b>
<b>b) Immediate relatives of promoter/ Director (Spouse, parent, child, brother, sister)</b>				
V. Jagannathan	3,18,320	13.26	3,18,320	6.37
Mahitha S. Jagannathan	37,475	1.56	37,475	0.75
Sharath S. Jagannathan	14,100	0.59	14,100	0.28
J. Amritham	1,100	0.05	1,100	0.02
J. Murali	1,550	0.06	1,550	0.03
G. Viruthambal	2,000	0.08	2,000	0.04
Uma Maheshwari	400	0.02	400	0.01
<b>Total (b)</b>	<b>3,74,945</b>	<b>15.62</b>	<b>3,74,945</b>	<b>7.50</b>
<b>c) Company in which 10% or more of the share capital is held by the promoter his immediate relative firm or HUF in which the promoter or his immediate relative is a member</b>				
Cape Flour Mills Pvt. Ltd.	2,79,500	11.64	2,79,500	5.59
Chempaka General Finance Pvt. Ltd.	6,200	0.26	6,200	0.12
<b>d) Company in which the Company mentioned in (c) above holds 10% or more of the share capital</b>				
NIL	—	—	—	—
<b>e) HUF in which aggregate share of the promoter and his immediate relatives is equal or more than 10% of the total Suresh Jagannathan HUF</b>				
Suresh Jagannathan HUF	35,725	1.49	35,725	0.71
<b>TOTAL</b>	<b>14,49,936</b>	<b>60.39</b>	<b>14,49,936</b>	<b>28.99</b>

12. The pre and post offer shareholding pattern of the Company is given below:-

Particulars	Pre Issue		Post Issue	
	No. of Equity Shares	% of Present share Capital	No. of Equity Shares	% of post Issue share capital
Promoter/directors & other persons in promoter group*	14,49,936	60.39	14,49,936	28.99
Financial Institutions/ Banks/ Mutual funds	760	0.03	35,51,110	71.01
FIs	—	—		
Private Corporate Bodies	58,415	2.43		
Indian Public	8,90,575	37.09		
NRIs	1,360	0.06		
<b>Total</b>	<b>24,01,046</b>	<b>100.00</b>	<b>50,01,046</b>	<b>100.00</b>

\*The post-Issue shareholding of promoters and Directors does not include Equity Shares that may be allotted to them under the Employee Reservation Portion of the Issue, which can be determined only after the allotment of Equity Shares pursuant to this Issue.

13. There are no transactions in the securities of the Company during preceding 6 months which were financed directly or indirectly by the promoters, their relatives, their group companies or associates or by the above entities directly or indirectly through other persons.
14. The Equity Shares offered through this Public Issue shall be made fully paid-up as the full amount on application Rs.55/- per share (face value of Rs. 10/- + premium of Rs.45/- is being called on application)
15. The Equity Shares will be issued and traded on the stock exchange only in dematerialised form. Hence the market lot of the equity shares is 1 (One share).
16. At any given time there shall be only one denomination for the shares of the Company and the disclosures and accounting norms specified by SEBI from time to time shall be complied with.
17. The Company shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner during the period commencing from the submission of the Prospectus to SEBI for the Public Issue till the securities referred in the aforesaid have been listed.
18. The Company does not propose to alter the capital structure by way of split or consolidation of the denomination of the shares or the issue of shares on a preferential basis or issue of bonus or rights or further public issue of shares or any other securities within a period of six months from the date of opening of the present issue. However, if business needs of the Company so require, the Company may alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities whether in India or abroad during the period of six months from the date of listing of the Equity Shares issued under this Prospectus or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required for such alteration.

## OBJECTS OF THE ISSUE

Our company has been in operation for over forty years. Beginning with wheat flour milling, we had branched off into manufacture of cotton yarn, engineering and wind power generation for captive use. We have established substantial presence in all these segments.

To grow further and to enhance shareholder value, we have decided to consider new business proposals and make fresh investments. To evaluate the various business proposals the Board of Directors constituted a Business Evaluation Committee comprising of Mr. Suresh Jagannathan, Managing Director, Mr. Sudarsan Varadaraj an eminent Engineer and Mr. Gnanasekaran, Chartered Accountant, a Financial Analyst.

After a detailed study and after careful consideration the Committee found that there were serious limitations in expanding the wheat milling capacity because of the prevailing wheat flour market condition and also due to paucity of adequate and quality raw material. As far as expansion in the textile division, there are serious limitations in the availability of quality machinery within a reasonable period of time. At present the lead-time for delivery of spinning equipment is anywhere between eighteen and twenty four months. The Board was also not in favour of any forward integration at this stage due to the same reasons given above.

At present the engineering division's operation are minimal. Hence the Board wanted to strengthen the engineering division by getting into the foundry business. The broad reason for identifying this business was:

1. Auto ancillary units who are major consumers of castings are in a boom phase.
2. Similarly general engineering units like pump and valve manufacturers are enhancing capacities, which has resulted in higher off take of castings.
3. There is an immense export potential due to closure of foundry units in the European Union and in America due to environmental consideration.
4. Entry of new units in this sector is limited due to considerable delay in getting pollution control approvals even in India.

There were two options for making investments in the foundry business.

1. To set up a new unit
2. Take over of existing unit

The latter option was favoured due to the following reasons.

1. To avoid delay in obtaining regulatory approvals.
2. It is understood that the Government is going slow on issue of new foundry license due to environmental consideration.
3. Setting up any new project would involve a gestation of around eighteen to twenty four months.

Accordingly Eltex an existing listed company was identified for a detailed techno economic viability study to consider the investments. A detailed viability study has been conducted by Mr. K. A. Neelakanthan, M.Tec., M.B.A., Foundry Consultant. M/s. Deloitte Haskins & Sells ["Deloitte"] were also appointed to review the financial viability of the unit.

Eltex is a Coimbatore based listed company engaged in the manufacture of Grey iron, SG iron and alloy iron castings for the last thirty years with production capacity of 9000 TPA. The unit is equipped with good infrastructure and manufacturing facilities and has been certified for ISO 9002 by TUV. The details of production and other facilities are available in the Deloitte Haskins & Sells report. Our Company has proceeded with the takeover of Eltex by substantial acquisition of equity shares based on our techno economic feasibility report and the Deloitte report. We have acquired 65.44% of the equity share capital of Eltex in August 2006 and have initiated the process of revival of the operations of Eltex. We have also installed two additional windmills in March 2006. The objects of the issue are as follows:

1. Investment in Eltex for the revival of its operations
2. Meeting the issue expenses

The main objects and objects incidental or ancillary to the main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue.

The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. The fund requirement is based on our current business plan. In view of the highly competitive and dynamic nature of the industry segments we operate in, we may have to revise our business plans from time to time and consequently our fund requirement may also change. In case of any variations in the actual

utilization of funds earmarked for the above activities, increased fund deployment for a particular activity will be met from internal accruals of the Company. The balance proceeds, if any, will be used for growth opportunities and general corporate purposes.

### COST OF PROJECT

The cost of the project is summarized below:

(Rs. Lac)	
Particulars	Amount
Investment in Eltex	1,700.00
Establishment of two wind mills of 1.25 MW each	1,230.00
Issue Expenses	130.00
<b>Total Cost</b>	<b>3,060.00</b>

### MEANS OF FINANCE

(Rs. in lacs)	
Particulars	Amount
Public Issue of 26,00,000 equity shares of Rs. 10/- each at a price of Rs. 55/- per share	1,430.00
Term Loan *	974.00
Internal Accruals	656.00
<b>Total Cost</b>	<b>3,060.00</b>

\* The Company has already received and availed the sanction in respect of Rs. 974.00 lacs, details of which are as follows

1. Canara Bank, Tirunelveli Town branch	Rs. 485.00 lacs
2. Indian Overseas Bank, Tirunelveli Town branch	Rs. 489.00 lacs
<b>Total</b>	<b><u>Rs. 974.00 lacs</u></b>

### Use of Proceeds of the Issue

The item-wise details of the utilization of the proceeds of this Issue are given below:

#### 1] INVESTMENT IN ELTEX

##### Background of the Investment

We currently have three divisions viz., Flour Mill, Spinning and Engineering. The milling capacities and spinning capacities are sizeable while the engineering division is relatively small and the management intends to focus on the same, going forward.

One of the inorganic options identified by the management to grow the Engineering division was to acquire a foundry business. Prior to deciding on the investment in a foundry business, our management had conducted a study on the foundry industry to understand the market trends and the sensitivities of the Industry. The study of the foundry industry was to ensure that the investment is being made on an informed basis and after a thorough understanding of the dynamics of the Industry.

Following the study of the industry report, our management believes that the foundry business would yield good returns even on a stand alone basis and thus approved to evaluate options to make investments in that business.

As part of this, a sub-committee of our Board of Directors was formed comprising the Managing Director, Mr. Suresh Jagannathan and two independent directors, Mr. Sudarshan Vardaraj and Mr. Gnanasekaran This sub-committee was specifically formed to evaluate opportunities in the foundry industry and revert back to our Board with their final analysis.

As part of the above, the sub-committee had evaluated two options for making investments in foundry business:

## KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED

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- Setting up a green field project
- Acquiring an existing unit

The sub-committee had evaluated both the options and suggestions forwarded to them by several external consultants and also engaged the services of some well known and experienced professionals to analyze opportunities in this regard. After a detailed analysis, the sub-committee decided to acquire an existing unit rather than opting for a green field project primarily for the following reasons:

- To avoid the long drawn process of obtaining regulatory approvals
- Obtaining requisite licenses from Pollution Control Board

The sub-committee also considered the fact that the Government is going slow on the issue of new foundry licenses and there is no certainty that we would get a license even if we decide to invest in a green field project. One of the deciding factors was this 'uncertainty' which led the sub-committee to decide making the investment in favour of an existing unit. Setting up a green field project would involve a project completion period of over 12-15 months and the sub-committee believed that it would be critical to commence the operations in the shortest possible time period to profit from the booming domestic and export markets.

Following the advice of the experts, the sub-committee considered the option of taking over a closed unit that can be revived quickly. Typical issues faced with regard to opportunities in a closed unit are as follows:

- Large Statutory dues
- Labour problems/ litigations
- Pending settlements with creditors
- Lapse of licenses
- Disputes with the Secured lenders/ pending OTS Settlements

Some of the above issues would take a very long period to resolve as they involve court cases, etc. and hence our management has decided to evaluate only those opportunities where issues can be resolved quickly and the companies with relatively less complicated problems. Accordingly, upon an initial analysis and after conducting an initial search on various profiles, ELTEX Super Castings Limited ("Eltex"), an existing listed company had been short listed for a detailed technical analysis to consider investment.

The specific advantages of Eltex over other closed units include:

- No outstanding secured loans
- Complete settlement of all labour issues

A detailed technical viability study had been submitted to us as prepared by Mr. K. A. Neelakantan, M.Tech, M.B.A., Foundry Consultant and as per the report the unit of Eltex is technically viable. As part of the viability report, a detailed study has been conducted with regard to the capacities available, condition of the Infrastructure, adequacy of the Infrastructure, investments required with regard to balancing equipment to commence operations, etc. Upon the technical viability certification, our management had approached Deloitte Haskins & Sells (DHS) to review the financial viability of the unit.

### **Acquisition of Substantial Stake in Eltex**

Based on the reports of DHS and Mr. K. A. Neelakantan, our management made a strategic decision to acquire a controlling stake in Eltex. Accordingly our Board of Directors in their meeting held on 01/12/2005 decided and entered into a Memorandum of Understanding with the erstwhile promoters of Eltex to acquire 18,28,677 Equity Shares of Rs. 10/- each at a price of Re. 1/- per share constituting 64.50% of the equity share capital of Eltex. Since the equity shares of Eltex are listed on the CSX and MSE, we made a public announcement on 03/12/2005 in terms of SEBI (SAST) Regulations, 1997 to acquire upto 5,67,000 equity shares constituting 20% of the equity capital of Eltex at a price of Re. 1/- per share. We have completed the said open offer in August 2006 and have acquired, in total, 65.44% of the equity share capital of Eltex, including shares acquired under the offer. Consequent to the said acquisition, Eltex has become our subsidiary with effect from 28/08/2006

Mr. V. Jagannathan, one of the directors of Eltex, is the father of Mr. Suresh Jagannathan, the present promoter of our Company. Mr. V. Jagannathan is not on the Board of KLRF nor is associated with KLRF in any other way except his shareholding in KLRF. KLRF had agreed to acquire the shareholding of Mr. V. Jagannathan in Eltex and had accordingly made the public announcement for the remaining shareholders of Eltex as equity shares of Eltex are listed on The Madras Stock Exchange Ltd. (MSE) and Coimbatore Stock Exchange Ltd. (CSX).

We have begun the process of revival of the operations of Eltex to make it a separate profit centre by infusing funds

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in Eltex to the extent of Rs. 1,700.00 lacs. We are infusing the funds in Eltex in the form of an interest free, unsecured loan. Eltex is our subsidiary and the benefit of such investment has been thoroughly analysed. Out of this, we have already deployed an amount of Rs. 1,000.00 lacs as on 20/10/2006 towards refurbishment of its plant and machinery and for the purpose of working capital. Presently, the investment upto Rs. 1,000.00 lacs is from the short term loan availed by KLRB from Indian Overseas Bank which will be repaid out of the proceeds of the Issue.

For the purposes of evaluation of the revival of Eltex, our management had called for and obtained such data and information as considered necessary for the purpose of this exercise. The list of information that we have used is given below:

- Memorandum and Articles of Association of Eltex
- The audited accounts of Eltex for the latest year and the three years of past performance when the company was in operational mode
- Note giving details of the history of Eltex, its promoters, the details of the assets and intangibles, market position, its past & present activities, future prospects and shareholding pattern of the company and other relevant details.
- Details of contingent liabilities and the status of litigation in case of disputed payments, if any.
- Other information and clarifications required for this purpose.

### **Eltex - An Overview**

Eltex Super Castings Limited is a Coimbatore based listed company engaged in the manufacture of the following products for the last 30 years:

- Grey Iron
- SG Iron and
- Alloy Iron castings

The unit has manufacturing facilities located in Perianaickenpalayam, Coimbatore with a capacity to produce 9,000 TPA. The unit can be categorized as a medium sized player. The unit is equipped with good infrastructure facilities and adequate manufacturing facilities to produce the above products. Eltex had a good reputation in the market in terms of brand image and was conferred the Best Foundry Award 1991 by The Institute of Indian Foundrymen. Eltex is also certified for ISO 9002 by TUV.

Eltex was initially set up to meet the castings requirement of M/s Lakshmi Machine Works Ltd (LMW) and they provided necessary technical guidance for foundry layout, selection of equipment, training etc to Eltex. This unit, located in Coimbatore, had focused on various critical production aspects such as the movement of goods, conveyer belt system for the safety and health of the workers, etc.

The unit had the patronage of some of the well-known and renowned companies including:

- L&T - Komatsu
- Audco India Ltd
- Bharat Heavy Electricals Limited
- TVS group
- Rane Group
- Amalgamation Group
- Yuken India Ltd
- BEML Ltd
- ELGI Equipments Ltd
- Bonfiglioli Transmissions (P) Ltd

The unit became inoperational from June 2002 on account of the following reasons

- Labour problems
- Lack of working capital

Although the unit is not operational, the assets are being maintained well and are capable of being reactivated at short notice.

**KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED**

The infrastructure details of Eltex are as follows:

<b>Land</b>	12.28 acres
<b>Building</b>	AC Sheet roof structure - foundry hall - 71000 s.ft Others (AC roof) - 10700 s.ft RC Building - 4400 s.ft
<b>Power</b>	Sanctioned load - 2000 KVA Generator capacity - 180 KVA * 1 No.s 110 KVA * 2 Nos
<b>Compressed Air</b>	Compressor - 540 cfm * 373 cfm * (* Cubic Feet per Minute) 315 cfm *
<b>Water</b>	2 Borewells

The present shareholding pattern of Eltex is as follows:

<b>Category</b>	<b>No. of shares held</b>	<b>% holding</b>
<b>Promoter Group</b>		
Kovilpatti Lakshmi Roller Flour Mills Limited	18,55,122	65.44
Cape Flour Mills Pvt. Limited	1,30,095	4.59
Chempaka General Finance Pvt. Limited	14,400	0.51
<b>TOTAL</b>	<b>19,99,617</b>	<b>70.53</b>
<b>Public Shareholding</b>		
Financial Institutions	2,250	0.08
Bodies Corporate	2,18,963	7.72
Individual shareholders	6,14,170	21.67
<b>TOTAL</b>	<b>8,35,383</b>	<b>29.47</b>
<b>TOTAL (A+B)</b>	<b>28,35,000</b>	<b>100.00</b>

The equity shares of Eltex are listed on The Madras Stock Exchange Ltd. (MSE) and Coimbatore Stock Exchange Ltd. (CSX). The equity shares of the Company have not been traded on either of the stock exchanges for the past six months. The equity shares were last traded on 31/03/1997 on the Madras Stock Exchange at a price of Rs. 24/- per share. The details of equity shares of Eltex listed and trading pattern in last six months is as follows:

<b>Name of stock exchange</b>	<b>Total Shares traded during the 6 calendar months prior to the month in which the public announcement was made</b>	<b>Total no. of listed Shares</b>	<b>Annualized Trading turnover (in terms of % to total listed shares)</b>
MSE	Not Traded	28,35,000	—
CSX	Not Traded	28,35,000	—

**Board of Directors:**

Name, Designation and Address	Experience (Years)	Area of Experience	Qualification	Date of Appointment
Mr. V. Jagannathan Managing Director 162, Race Course, Coimbatore - 641 018	43	Flour Milling, Textiles, Sheet Metal Fabrication, Foundry	Diploma in Textiles	26/11/1973
Mr. R. Srinivasan Director 149, Raju Naidu Road, Coimbatore - 641 012	43	Insurance, Textiles, Flour Milling and Foundry Industry	Graduate in Science	21/01/2000
Mr. R. Soundara Raju Director 46, Poombuhar nagar, Thudiyalur Post, Coimbatore - 641 034	29	Installation and Maintenance of Steam Boiler Diesel Engine Generator Sets, Manufacturing of Electronic Color Sorting machines, Sheet Metal Components, Machine Building Activities and Textiles	Diploma in Electrical Engineering and Diploma in Maintenance Management Education	26/03/2003
Mr. V. N. Jayaprakasam Director Flour Mill Quarters, Kovilpatti Lakshmi Roller Flour Mills Limited, 75/8, Benares Cape Road, Gangaikondan - 627 352	44	Flour Milling, Engineering	Graduate from Presidency College, Chennai and the Swiss Milling School, St. Galeen.	29/09/2006
Mr. K. Gnanasekaran Director Old No. 121-B / New No. 162, Race Course, Coimbatore - 641 018	30	Accounts, Finance and Taxation	B. Com., F.C.A.	29/09/2006

**Financial Highlights**

(Rs. Lacs)

<b>PROFIT &amp; LOSS STATEMENT</b>	<b>31/03/2004</b>	<b>31/03/2005</b>	<b>31/03/2006</b>
Total Income	6.46	34.68	0.35
Total Expenditure	14.76	101.52	28.48
Profit/(Loss) Before Depreciation, Interest and Tax	(8.30)	(66.84)	(28.13)
Depreciation	20.55	12.90	6.20
Interest & Finance Charges	37.88	24.69	26.81
Extra Ordinary Items	2.96	0.77	154.74*
Provision for - Deferred Tax Asset	0.00	0.00	221.89
- Fringe Benefit Tax	—	—	(0.08)
<b>Profit After Tax</b>	<b>(63.77)</b>	<b>(103.66)</b>	<b>315.41</b>

\* Consists of, waiver of interest on onetime settlement of dues with banks to the extent of Rs.45.73 lacs and provision no longer required written back amounting to Rs.109.01 lacs.



<b>BALANCE SHEET STATEMENT</b>	<b>31/03/2004</b>	<b>31/03/2005</b>	<b>31/03/2006</b>
<b>Sources of funds</b>			
Paid up share capital	283.50	283.50	283.50
Reserves and Surplus (excluding revaluation reserves)	19.74	19.75	19.75
Revaluation reserves	184.17	178.04	171.93
Secured Loans	379.58	250.00	—
Unsecured Loans	230.37	223.28	617.14
<b>Total</b>	<b>1,097.36</b>	<b>954.57</b>	<b>1,092.32</b>
<b>Uses of funds</b>			
Net fixed assets	447.00	259.97	247.67
Capital work in progress	0.67	0.67	0.67
Investments	33.08	33.08	0.02
Net Current Assets	(982.89)	(1,042.31)	(999.47)
Deferred Tax Asset	—	—	221.89
Miscellaneous Expenditure	1,599.50	1,703.16	1,621.55
<b>Total</b>	<b>1,097.36</b>	<b>954.57</b>	<b>1,092.32</b>
<b>Networth</b>	<b>(1,296.26)</b>	<b>(1,399.91)</b>	<b>(1,318.29)</b>

Pursuant to the substantial acquisition of equity shares of Eltex, it has become our subsidiary with effect from 28/08/2006

#### Details of the proposed investment

We propose to invest Rs. 1,700 lacs in Eltex. The investment is proposed to be deployed in the following manner:

<b>Particulars</b>	<b>Rs. Lacs</b>
A] Working capital requirements	855.00
B] Settlement of Unsecured Loans availed for the purpose of repayment of dues	580.00
C] Revamp and Restarting the foundry	140.00
D] Settlement of statutory liabilities	125.00
<b>TOTAL</b>	<b>1,700.00</b>

We have availed of a short term loan amounting to Rs. 1,000.00 lacs from Indian Overseas Bank which has been deployed in Eltex towards the following:

(Rs. Lacs)

<b>Particulars</b>	<b>Amount Deployed Till 20/10/2006</b>
A] Working capital requirements	428.79
B] Settlement of Unsecured Loans availed for the purpose of repayment of dues	470.66
C] Revamp and Restarting the foundry	54.40
D] Settlement of statutory liabilities	46.15
<b>TOTAL</b>	<b>1,000.00</b>

#### A] Details of Working Capital Requirements

(Rs. Lacs)

<b>Particulars</b>	<b>Proposed Deployment</b>	<b>Amount Deployed till 20/10/2006</b>
Inventory	285.00	44.00
Sundry Debtors	130.00	31.00
Other Current Assets	90.00	20.00
Suppliers' Credit	350.00	333.79
<b>TOTAL</b>	<b>855.00</b>	<b>428.79</b>

Eltex is a closed unit and has negative net current assets and net worth. As the purpose of the Issue is to restart the closed unit, the standard norms of working capital requirements are not applicable. The working capital requirements of Eltex are mainly on account of outstanding levels of inventories, debtors, suppliers' credit and other current assets. On infusion of funds, these will be adjusted, enabling Eltex to start operations by utilizing working capital.

**B] Settlement of Unsecured Loans**

We propose to settle the unsecured loans availed by Eltex for the purpose of settling the secured creditors and the compensation and VRS dues of the existing workers of Eltex. The outstanding unsecured loans of Eltex at the time of our acquisition of substantial stake in Eltex was as under:

(Rs. Lacs)

No.	Name of the Entity	Amount to be settled
1	Cape Flour Mills Pvt. Ltd., Nagercoil	170.00
2	Quartet Financial Services Pvt. Ltd., Mumbai	175.00
3	Jeyar Consultants & Investments Pvt. Ltd., Chennai	100.00
4	Vijay Trading Company, Coimbatore	48.00
5	Vijay Cotton Agencies, Coimbatore	47.00
6	M.S.P. Enterprises, Palani	27.00
7	Elgitread (India) Ltd., Coimbatore	13.00
	<b>Total</b>	<b>580.00</b>

An amount of Rs. 470.66 lacs has been deployed till 20/10/2006 towards settlement of these liabilities out of the total of Rs. 580.00 lacs

**C] Revamp and Restarting the foundry**

The estimated cost of refurbishing and restarting the foundry of Eltex are as follows:

(Rs. Lacs)

Particulars	Proposed Investment	Amount deployed till 20/10/2006
Machinery maintenance including payment towards labour, consumables and spares	75.00	21.05
Deposits and Advances towards resuming power supply from TNEB	35.00	21.73
Building repair and restoration	20.00	6.44
Electrical plant refurbishment	5.00	4.98
Revalidation of ISO 9002 certification	5.00	0.20
<b>TOTAL</b>	<b>140.00</b>	<b>54.40</b>

**D] Settlement of Statutory Liabilities**

There are some outstanding statutory liabilities which have to be settled before the unit can be restarted. These include Provident Fund dues of Rs. 65 lacs, Employee State Insurance dues of Rs. 30 lacs, Employee Credit Societies dues of Rs. 25 lacs and Property Tax of Rs. 5 lacs. An amount of Rs. 46.15 lacs has been deployed till 20/10/2006 towards partial settlement of these statutory liabilities.

**2] ESTABLISHMENT OF TWO WIND MILLS OF 1.25 MW EACH**

We have installed two additional wind mills of 1.25 MW each which have been procured from Suzlon Energy Limited. The cost of both mills is Rs. 1,230.00 lacs. The location of the installation for the same is Parameswarapuram Village, Radhapuram Taluk, Tirunelveli District, Tamil Nadu which is in the vicinity of our existing wind mills. The air density at this site is 1.168 kg/cubic meter, making it suitable for generation of power using windmills.

Specifications of the wind mills are: (as per quotations dated 05/12/2005 received from Suzlon Energy Limited):

- Model (WTG) S.64-1250 KW with 65 metre hub height.
- This includes all accessories with land erection and commissioning.

The power generated by the windmills will be solely for captive consumption. The two windmills are expected to generate a net power output of approximately 68 lac units. The net financial benefit to our Company is expected to be a reduction in the cost of power by Re. 1/- per unit, thereby leading to a savings of approximately Rs. 68 lacs in the electricity costs as per current consumption patterns.

We have funded the installation of these windmills through a term loan of Rs. 485.00 lacs from Canara Bank, a term loan of Rs. 489.00 lacs from Indian Overseas Bank and internal accruals of Rs. 256.00 lacs. The installation and commissioning has been completed in March 2006.

**3] ISSUE EXPENSES**

Particulars	Rs. lacs
Fees to intermediaries	51.30
Advertising and marketing expenses	45.70
Printing and Stationary expenses	28.00
Others	5.00
<b>TOTAL ESTIMATED ISSUE EXPENSES</b>	<b>130.00</b>

**SCHEDULE OF IMPLEMENTATION**

Particulars	Commencement	Completion
Installation of two wind mills of 1.25 MW each	January 2006	March 2006
Investment in Eltex	—	December 2006 - January 2007
Revival of operations of Eltex		
- Refurbishment and restart of Furnace 1	April 2006	August 2006
- Refurbishment and restart of Furnace 2	June 2006	October 2006
- Refurbishment and restart of Furnace 3	August 2006	December 2006
- Commercial production from Furnace 1	September 2006	—
- Commercial production from Furnace 2	November 2006	—
- Commercial production from Furnace 3	January 2007	—

**SOURCES AND DEPLOYMENT OF FUNDS**

On the basis of the Certificate of Sources and Deployment of Funds dated 20/10/2006, issued by M/s. P. Marimuthu, Chartered Accountants, and Statutory Auditors of the Company, an expenditure of Rs. 2,237.41 Lacs has already been incurred on the project up to 20/10/2006. Details of the sources and deployment of funds are as follows:

Particulars	Amount Incurred/ Deployed so far (Rs. in Lacs)
<b>Sources of funds</b>	
1] Term Loans for two windmills	974.00
2] Short Term Loan from Indian Overseas Bank, Tirunelveli	1,000.00
3] Internal Accruals	263.41
<b>Total</b>	<b>2,237.41</b>
<b>Deployment of Funds</b>	
1] Installation of two windmills	1,230.00
2] Deployment of funds towards revival of Eltex	1,000.00
3] Issue Expenses	7.41
<b>Total</b>	<b>2,237.41</b>

**Interim Use of Proceeds**

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest or dividend bearing liquid instruments including deposits with banks for the necessary duration. Such investments would be in accordance with any investment criteria approved by our Board of Directors from time to time.

**Monitoring of Utilization of Funds**

Our Board will monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head in our financial statements for fiscal 2007 and 2008 clearly specifying the purposes for which such proceeds have been utilized. We will also, in our financial statements for fiscal 2007 and 2008, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilised proceeds of the Issue. No part of the proceeds of this Issue will be paid by us as consideration to our Promoters, our Directors, key management employees or companies promoted by our Promoters, save and except in the course of normal business.

**BASIS OF ISSUE PRICE**

**QUALITATIVE FACTORS**

- Forty six year old existing profit making diversified company
- Consistent track record of dividend payment in 23 out of the last 26 years
- Well established and accepted brand "Kuthuvillaku"
- All the existing production facilities i.e. flour mills and two textile units are ISO 9001:2000 certified

**QUANTITATIVE FACTORS**

Information presented in this section is derived from the recasted financial statements.

**i) Earnings per Share (Face Value Rs. 10/- per share)**

Year	EPS (Rs)	Wts
2003-2004	4.42	1
2004-2005	8.69	2
2005-2006	12.94	3
Weighted Average EPS	10.10	

The EPS for the three month period ending 30/06/2006 is Rs. 3.51 which works out to Rs. 14.04 on an annualised basis.

**ii) Price/Earning (P/E) Ratio**

Price per share	Rs. 55/-
P/E (based on weighted average EPS of Rs. 10.10)	5.45

**iii) Return on Networth**

Year	RONW (%)	Wts
2003-2004	7.50	1
2004-2005	13.20	2
2005-2006	18.04	3
Weighted Average RONW	14.67	

For the three month period ending 30/06/2006, the RONW was 4.66% which works out to a RONW of 18.54% on an annualised basis.

**iv) Minimum RONW required for maintaining preissue weighted average EPS of Rs. 10.10 (15.60%)**

**v) Book Value (BV) (Rs.)**

Book Value (pre issue) (As on 30/06/2006)	75.26
Book Value (post Issue)	64.73
Issue Price (Rs.)	55.00

**vi) Industry P/E Ratio**

Highest (Spentex Industries)	45.3
Lowest (Pacific Cotspin)	2.8
Average	13.58

Source: (See following table)

## vii) Comparison with other companies in the Peer Set.

(Rs. in crore)

Name of the company	Equity	Sales	PAT	EPS (Rs.)	BV (Rs.)	P/E multiple
ADF Foods	10.4	61.8	2.7	2.5	30.2	7.0
Agro Dutch Industries	29.56	137.3	4.5	1.5	43.1	7.8
Hind Inds	9.92	83.6	3.9	4.0	58.3	6.2
Gangotri Textiles	16.31	148.1	3.1	0.9	26.9	32.2
Precot Mills	5.45	229.9	12.5	22.1	210.0	10.0
Spentex Industries	64.96	352.3	10.1	1.5	23.9	45.3
Ambika Cotton	5.88	104.9	18.7	31.5	165.7	6.1
Pacific Cotspin	23.15	148.9	5.0	2.1	12.7	2.8
Amarjothi Spinning	6.75	77.3	5.3	7.8	47.3	4.8

Source: Capital Market Oct 9 - 22, 2006.

Note: Considering the fact that KLRF is actively engaged in wheat milling as well as cotton yarn spinning and that both activities contribute equally to the income of the Company, the industry comparison shown above considers comparable companies who are individually focused on either food processing or cotton textiles.

**Conclusion**

The equity shares are being issued at a price of Rs.55/- per share. The issue price is 5.5 times the face value of the shares. The pre-issue book value of the shares as on 30/06/2006 is Rs. 75.26 per share, whereas post issue book value of the shares is Rs. 64.73 per share. The minimum return on networth required to be earned to maintain the weighted average EPS of Rs. 10.10 is 15.60% whereas the company has already earned RONW of 18.04% for 2005-2006 and RONW of 18.54% for the period ended 30/06/2006 (annualised).

Based on the Weighted Average EPS of Rs. 10.10, the issue price of Rs. 55/- per share is at a price earning (P/E) multiple of 5.45 times. Taking into account the above qualitative and quantitative factors, the issue price of Rs. 55/- per share is justified.

**STATEMENT OF TAX BENEFITS**

To,  
The Board of Directors  
Kovilpatti Lakshmi Roller Flour Mills Limited  
Gangaikondan 627 352

I the auditor of M/s Kovilpatti Lakshmi Roller Flour Mills Limited hereby confirm that the attached annexure details the generally available tax benefits to the Company and its shareholders under the Income Tax Act, 1961, subject to the fact that several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives the Company may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive.

This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for the professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue. We do not express any opinion or provide any assurance as to whether:

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing of these benefits have been / would be met with.

The contents of this annexure are based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and interpretations of the current tax laws.

Sd/-  
P. Marimuthu  
Chartered Accountant  
Dated: 22/09/2006  
Membership No. 5770

**ANNEXURE TO THE STATEMENT OF TAX BENEFITS  
TAX BENEFITS TO THE COMPANY AND ITS SHAREHOLDERS :**

The Company is advised that under the current provisions of the Income tax Act, 1961 (hereinafter referred to as "The Act") and existing laws for the time being in force, the following benefits are available to the Company and to its Shareholders. The tax benefits available to the "Company" and its Shareholders are as under the current tax law presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

**A. TO THE COMPANY:**

1. In accordance with, and subject to the provisions of Section 32 of the Act, the Company will be entitled to claim depreciation to tangible and specified intangible assets at the rates specified. Besides normal depreciation the Company shall be entitled in terms of section 32(1)(ia) to claim additional depreciation of 20% of actual cost of new machinery and plant acquired and installed after 31st March, 2005.
2. The Company has brought forward unabsorbed depreciation and business losses which will be available for set off against taxable income in the future years under sections 32 (2) and 72 of the Act
3. By virtue of section 10(34) of the Act, any dividend income received by the Company will be exempt from tax.
4. In accordance with and subject to the conditions specified in section 35D of the Act, the Company is entitled to amortization, over a period of five years, of all expenditure in connection with the proposed Public Issue subject to the overall limit prescribed in the said section as the Public Issue is for the extension of the business.
5. The company will be entitled to claim expenditure incurred in respect of voluntary retirement scheme under section 35 DDA of the Act.
6. By virtue of new section 10(35) of the Act, the following income shall be exempt, subject to the certain conditions, in the hands of the Company :
  - a) Income received in respect of the unit of a Mutual Fund specified under clause (23D) ; or
  - b) Income received in respect of units from the administration of the specified undertaking ; or
  - c) Income received in respect of units from the specified Company ;
7. By virtue of section 10(38) of the Act long term capital gains on sale of shares where the transaction of sale is entered into on a recognized stock exchange in India, on or after 1st October, 2004 shall be exempt from tax.
8. By virtue of Section 111A of the Act short term capital gains on sale of shares where the transaction of sale is entered into on a recognized stock exchange in India, on or after 1st October, 2004 shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and Education Cess).
9. In accordance with, and subject to the conditions and to the extent specified in section 54EC of the Act, long term capital gains arising on transfer of long term capital asset, shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase / acquisition of specified assets.
10. In accordance with, and subject to the conditions and to the extent specified in section 54ED of the Act, long term capital gains arising on transfer of listed securities or units, shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase / acquisition of specified assets.
11. Under section 48 of the Act, if any shares are sold by the Company after being held for not less than twelve months, the gains (not being exempt gains), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition / improvement.
12. Under section 112 of the Act and other relevant provision of the Act, long term capital gains (not being exempt gains) arising on transfer of listed securities or units or zero coupon bonds, shall be taxed at the

rate of 20% (plus applicable surcharge and education cess) [after indexation as provided in the second proviso to section 48] or where the tax so payable exceeds 10% (subject to surcharge as applicable) of the amount of capital gains computed before indexing the cost of acquisition, improvement, then such excess shall be ignored.

13. In respect of Windmill Project,
  - a. the company is entitled to claim depreciation at the rate of 80 % on the cost of windmill under section 32 of the Act.
  - b. The profit derived by the company from the windmill is fully deductible from income tax under section 80-IA of the Act for a period of any 10 consecutive assessment years out of 15 years from the year of installation

**B. To Shareholders of the Company**

1. Income received by an assessee as dividend from an Indian Company is exempt under section 10(34) of the Act.
2. In accordance with section 48 of the Act, long term capital gains arising to a resident assessee out of sale of shares of the Company shall be computed after indexing the cost of acquisition / improvement. Under Section 112 of the Act, such gains which are not exempt under section 10(38) of the Act, shall be taxed at the rate of 20% (subject to surcharge as applicable) where the tax so payable exceeds 10% (subject to surcharge as applicable) of the amount of capital gains computed before indexing the cost of acquisition, improvement, then such excess shall be ignored.
3. By virtue of Section 111A of the Act that short-term capital gains on sale of shares where the transaction of sale is entered into in a recognized stock exchange in India, on or after 1st October, 2004 shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).
4. By virtue of Section 10(38) of the Act that long term capital gains on sale of shares where the transactions of sale is entered into in a recognized stock exchange in India, on or after 1st October, 2004 shall be exempt from tax.
5. In accordance with, and subject to the conditions and to the extent specified in section 54EC of the Act, long term capital gains tax arising on transfer of the shares of the Company, shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase / acquisition of specified assets.
6. In accordance with, and subject to the conditions and to the extent specified in section 54ED of the Act, long term capital gains arising on transfer of the shares of the Company, shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase / acquisition of specified equity shares

Income by way of short term capital gains or long term capital gains (not being exempt gains) realised by FIIs on sale of shares in the company would be taxed at the following rates as per section 115AD of the Act:

- (i) Short term capital gains - at the rate of 30% (plus applicable surcharge and education cess). However, the income from short-term capital gains referred to under section 111A shall be taxed at the rate of 10% (plus applicable surcharge and education cess).
  - (ii) Long term capital gains (not being exempt gains) - at the rate of 10% (plus applicable surcharge and education cess).
7. In accordance with, and subject to the conditions and to the extent specified in section 54F of the Act, long term capital gains arising on the transfer of the shares of the Company held by an individual or Hindu Undivided family shall be exempt from capital gains tax if the net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years subject to the condition that the assessee should not own more than one residential house, other than the new asset, on the date of transfer of original asset and the assessee should not purchase or construct any residential house, other than the new asset, in case of purchase within a period of one year after the date of transfer of original asset and in case of construction, within a period of three years after the date of transfer of original asset.



8. In accordance with, and subject to Section 48 of the Act, capital gains arising to non-resident, out of transfer of capital assets being shares in an Indian Company shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer of the capital assets into the same foreign currency as was initially utilized in the purchase of shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency.
9. Non-resident Indian has the option to be governed by the provisions of Chapter XII-A of the Act according to which:
  - i) Under section 115E of the Act, any income from investment acquired out of convertible foreign exchange will be taxable at 20% (subject to surcharge as applicable) while income from long term capital gains on transfer of shares of the Company acquired out of convertible foreign exchange shall be taxed at the rate of 10% (subject to surcharge as applicable)
  - ii) Under section 115F of the Act, subject to the conditions and to the extent, specified therein, long term capital gains arising to a Non-Resident Indian from transfer of shares of a company acquired out of convertible foreign exchange, shall be exempt from capital gains tax if the net consideration is invested within six months of the date of transfer of the asset in any specified asset or in any saving certificate referred to in clause (4B) of Section 10 of the Act.
  - iii) Under section 115G of the Act, it is not necessary for a Non-Resident Indian to file a Return of Income under section 139(1) of the Act, if his total income consists only of investment income and / or long term capital gains earned on transfer of such investments acquired out of convertible foreign exchange, and the tax has been deducted at source from such income under the provisions of chapter XVII B of the Act.

**C. Under the Wealth Tax Act, 1957**

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of the Wealth Tax Act, 1957; hence Wealth Tax Act will not be applicable.

Please note that all the above tax benefits will be available only to the sole / first named holder in case the shares are held by joint holders. Legislation, its judicial interpretation and the policies of the regulatory authorities are subject to change from time to time and these may have a bearing on the advice that I have given. Accordingly, any change or amendment in the law or relevant regulations would necessitate a review of the above. Unless specifically requested, I have no responsibility to carry out any review of my comments for changes in laws or regulations occurring after the date of issue of this Note.

In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and country in which the non-resident has fiscal domicile.

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of ordinary shares. The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date. The Investors in your Company are advised to consult their tax advisors with respect of the tax consequences of their holdings based on their residential status and the relevant double taxation conventions.

Sd/-

**P. MARIMUTHU**

Chartered Accountant

## SECTION IV: ABOUT US

### INDUSTRY

#### INDUSTRY OVERVIEW

The following information has been obtained from the public sources specifically mentioned where applicable and has not been independently verified.

Presently our Company has three divisions, namely:

- Wheat Flour Milling
- Textiles
- Engineering

The contribution of the engineering division is insignificant. We propose to strengthen the same by acquiring Eltex. The overview of the industries in which we are presently engaged and propose to expand into can be summarized as follows:

#### **Flour Mills**

Wheat production in India is approximately 750 lac tons per annum. Of this, the organized sector, consisting of Roller Flour Mills, contributes close to 14% of the production or 100 lac tons per annum. The organized sector in Tamil Nadu produces 7.50 lac tons per annum. In India, wheat flour is primarily utilized in the manufacture of bread and biscuits and large quantities are also consumed by the hotel industry for in house consumption.

The flour milling industry has witnessed a compounded annual growth rate of 5% over the past few years. The demand has been driven by the rapidly changing food habits of the average Indian consumer, dictated by the lifestyle changes in urban and semi-urban regions of the country. People are increasingly eating out and are being exposed to western cuisines which are more dependent on wheat rather than rice. The boom in the hospitality sector, driven by the increasing focus on India by western business and the increased tourist influx into India, is expected to act as a steady and sustained growth driver for the wheat flour milling industry.

#### The Process of Flour Milling

##### Product Control

Wheat arrives at the mill by truck, ship, barge, or rail car. Before the wheat is even unloaded, samples are taken to ensure that it passes inspection. Product control chemists begin their tests to classify the grain by milling and baking a small amount to determine end-use qualities. The results from these tests determine how the wheat will be handled and stored. Different qualities of wheat may be blended to achieve the desired end product. The wheat will then be stored at the mill in large bins. Storing wheat is an exact science. The right moisture, heat and air must be maintained or the wheat may mildew, sprout, or ferment.

##### Cleaning the Wheat

The first milling steps involve equipment that separates wheat from seeds and other grains, eliminates foreign materials such as metal, sticks, stones and straw; and scours each kernel of wheat. It can take as many as six steps.

- Magnetic Separator

The wheat first passes by a magnet that removes iron and steel particles.

- Separator

Vibrating screens remove bits of wood and straw and almost anything too big and too small to be wheat.

- Aspirator

Air currents act as a kind of vacuum to remove dust and lighter impurities.

- De-Stoner

Using gravity, the machine separates the heavy material from the light to remove stones that may be the same size as wheat kernels.

- Disc Separator

The wheat passes through a separator that identifies the size of the kernels even more closely. It rejects anything

longer, shorter, more round, more angular or in any way a different shape.

- Scourer

The scourer removes outer husks, crease dirt and any smaller impurities with an intense scouring action. Currents of air pull all the loosened material away.

#### Conditioning the Wheat

- Tempering

Now the wheat is ready to be conditioned for milling. This is called tempering. Moisture is added in precise amounts to toughen the bran and mellow the inner endosperm. This makes the parts of the kernel separate more easily and cleanly. Tempered wheat is stored in bins from eight to 24 hours, depending on the type of wheat - soft, medium or hard. Blending of wheats may be done at this time to achieve the best flour for a specific end-use.

- Impact Scourer

Centrifugal force breaks apart any unsound kernels and rejects them from the mill flow. From the entoleter, the wheat flows to grinding bins, large hoppers that will measure or feed wheat to the actual milling process.

- Grinding the Wheat

The wheat kernels, or berries, are now in far better condition than when they arrived at the mill and are ready to be milled into flour. Wheat kernels are measured or fed from the bins to the "rolls," or corrugated rollers made from chilled cast iron. This modern milling process is a gradual reduction of the wheat kernels. The goal is to produce middlings, or coarse particles of endosperm. The middlings are then graded and separated from the bran by sieves and purifiers. Each size returns to corresponding rollers and the same process is repeated until the desired flour is obtained. The rolls are paired and rotate inward against each other, moving at different speeds. Just one pass through the corrugated "first break" rolls begins the separation of bran, endosperm and germ.

- The Miller's Skill

The miller's skill is demonstrated by the ability to adjust all of the rolls to the proper settings that will produce the maximum amount of high-quality flour. Grinding too hard or close results in bran powder in the flour. Grinding too open allows good endosperm to be lost in the mill's feed system. The miller must select the exact milling surface, or corrugation, on the break rolls, as well as the relation and the speed of the rollers to each other to match the type of wheat and its condition. Each break roll must be set to get as much pure endosperm as possible to the middlings rolls. The middlings rolls are set to produce as much flour as possible. From the rolls, the grist is sent way upstairs to drop through sifters. The grist is moved via pneumatic systems that mix air with the particles so they flow, almost like water, through tubes. This is a great advance in health and safety from earlier methods of moving the grist with buckets.

- Sifters

The broken particles of wheat are introduced into huge, rotating, box-like sifters where they are shaken through a series of bolting cloths or screens to separate the larger from the smaller particles. Inside the sifter, there may be as many as 27 frames, each covered with either a nylon or stainless steel screen, with square openings that get smaller and smaller the farther down they go. Up to six different sizes of particles may come from a single sifter, including some flour with each sifting. Larger particles are shaken off from the top, or "scalped," leaving the finer flour to sift to the bottom. The "scaled" fractions are sent to other roll passages and particles of endosperm are graded by size and carried to separate purifiers.

- Purifiers

In a purifier, a controlled flow of air lifts off bran particles while at the same time a bolting cloth separates and grades coarser fractions by size and quality. Four or five additional "break" rolls, each with successively finer corrugations and each followed by a sifter, are usually used to rework the coarse stocks from the sifters and reduce the wheat particles to granular "middlings" that are as free from bran as possible. Germ particles will be flattened by later passage through the smooth reduction rolls and can be easily separated. The reduction rolls

reduce the purified, granular middlings, or farina, to flour. The process is repeated over and over again, sifters to purifiers to reducing rolls, until the maximum amount of flour is separated, consisting of close to 75 percent of the wheat. There are various grades of flour produced in the milling process. The remaining percentage of the wheat kernel or berry is classified as millfeed - shorts, bran and germ.

Bakers buy a wide variety of flour types, based on the products they produce. The flour the consumer buys at the grocery store, called "family flour" by the milling industry, is usually a long-patent all-purpose or bread flour. Occasionally short patent flour is available in retail stores.

"Reconstituting," or blending back together, all the parts of the wheat in the proper proportions yields whole wheat flour. This process produces a higher quality whole wheat flour than is achieved by grinding the whole wheat berry. Reconstitution assures that the wheat germ oil is not spread throughout the flour so it does not go rancid so readily.

- Bleaching the Flour

Toward the end of the line in the millstream, if the flour is to be "bleached," the finished flour flows through a device, which releases a bleaching-maturing agent in measured amounts. It is an established fact that freshly milled flour makes a lesser quality baked product. In the old days, flour was stored for a few months to mature, or naturally oxidize. This whitened the flour and improved its baking characteristics. The modern bleaching process simply duplicates this natural oxidation process, but does so more quickly. In the bleaching process, flour is exposed to chlorine gas or benzoyl peroxide to whiten and brighten flour color. Chlorine also affects baking quality by "maturing" or oxidizing the flour, which is beneficial for cake and cookie baking. The bleaching agents react and do not leave harmful residues or destroy nutrients.

- Enrichment

The flour stream passes through a device that measures out specified quantities of enrichment. The enrichment of flour with four B vitamins (thiamin, niacin and riboflavin) and iron, begun in the 1930s. In 1998 folate, or folic acid, was added to the mix of vitamin B. If the flour is self-rising, a leavening agent, salt and calcium are also added in exact amounts.

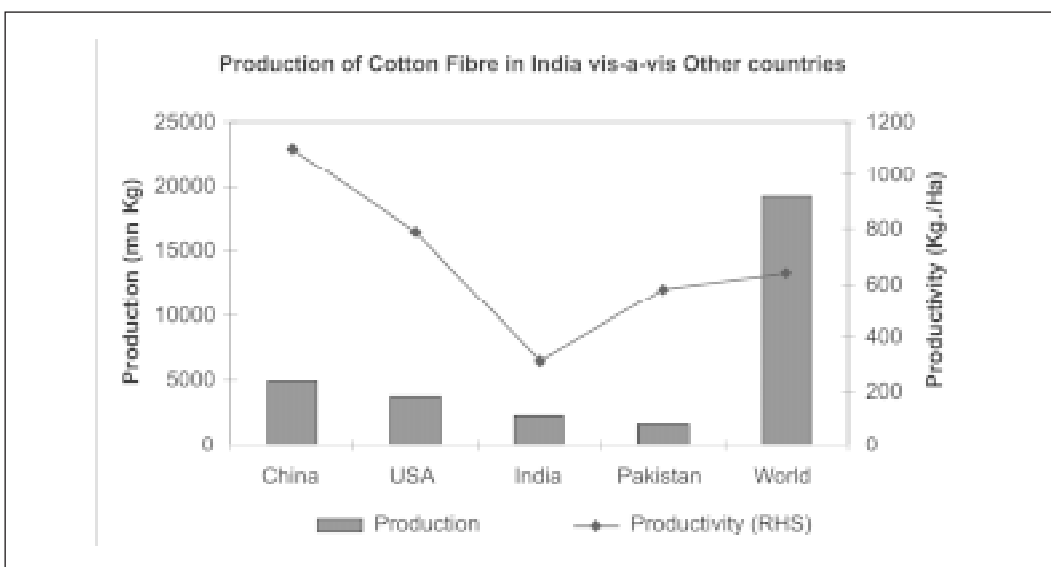
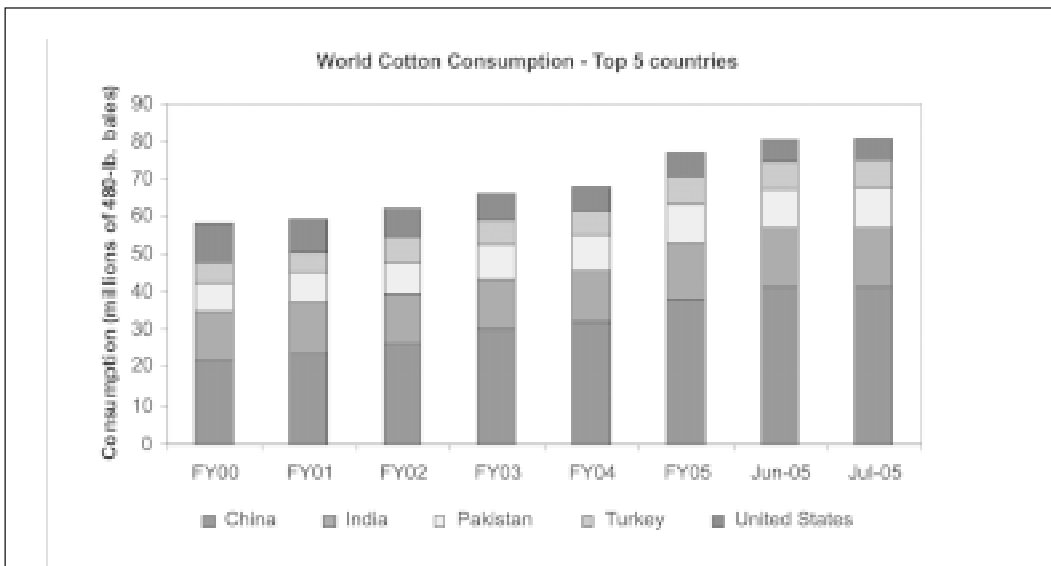
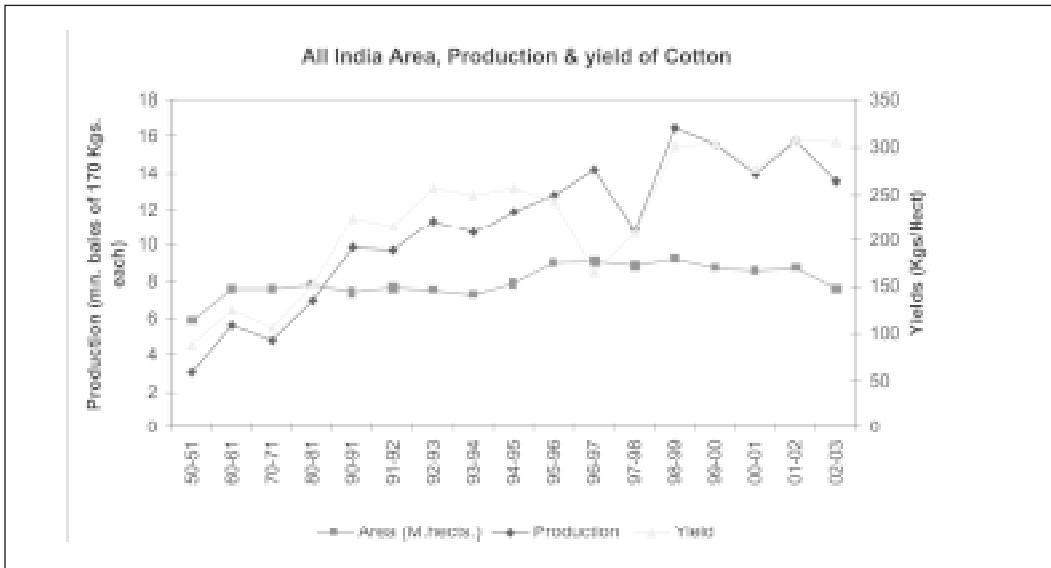
Before the flour leaves the mill, additional lab tests are run to ensure that the customers get what they ordered. Finally, the flour millstream flows through pneumatic tubes to the packing room or into hoppers for bulk storage

## **Textiles**

The Indian Textile Industry accounts for 14% of the total industrial production in the country. It also accounts for 18% of industrial employment and 4% of the GDP. The textile industry contributes to 27% of the total export earnings of the Indian economy and is the second largest employment generator after agriculture. India is the second largest producer in the world of cotton yarn and fabric and fifth largest producer of synthetic fibres and yarns.

### **Key Features of the Industry**

- Fragmented production and outdated technology
- Government policies favouring small scale, labour intensive operation
- Focus on domestic, rather than global market



Fiscal Incentive for Cotton Yarn

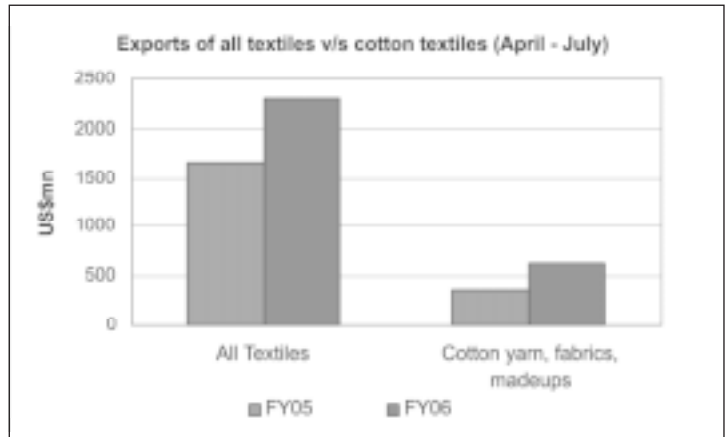
The removal of mandatory Cenvat and allowing all cotton textile manufacturers (at yarn, fabric and garment stage) to opt for complete excise exemption in the Union Budget for 2004-2005 has come as a major relief to the industry. The excise duties on polyester filament yarn (a substitute for cotton yarn) and polyester staple fibre (a substitute for cotton) however continue to attract excise duties of 24% and 16% respectively.

Technology Upgradation Fund Scheme [TUFS]

TUFS aims at providing the much needed impetus to the textile industry for the adoption of technology upgradation and consequently make Indian textile exports more competitive in the international markets. The main feature of the TUFS would be 5% reimbursement on the interest actually charged by the identified financial institutions on the sanctioned projects. Exim Bank is a Primary Lending Institution under the TUFS.

The TUFS covers the following:

- Cotton ginning and pressing
- Silk reeling and twisting
- Wool scouring and combing
- Synthetic filament yarn texturising, crimping and twisting
- Spinning
- Viscose Filament Yarn
- Weaving, knitting including non-wovens, fabric embroidery and technical textiles
- Garment / made-up manufacturing
- Processing of fibres, yarns, garments and made-ups



Engineering / Foundry

Metal casting is a well established industry in India. It has over 5000 foundries, of which around 90 percent are traditional, small scale, family owned operations accounting for 30 percent of total output. The remaining 10 percent includes approximately 500 large, modern and globally competitive metal foundries that account for 70 percent of production.

Most of the large foundries are captive or affiliated operations with annual capacities ranging from 30,000 to 60,000 metric tons and utilization rates from 85 to 90 percent. Their leading customers include mass producers of engine blocks or related equipment in the automotive and agricultural equipment industries.

**Facts & Figures**

- The Indian Foundry Industry is estimated at around Rs. 13,000 crores
- The demand for the foundry products come from automobile, pipe & fittings, electrical & electronics, railroad/defense, internal combustion engine, valves & pumps textile machinery, construction, mining, oil field machinery, farm equipments etc.
- The Indian foundry business is the sixth largest in the world after USA, China, Japan, Russia and Germany with total output of 4.0 million metric tons, employing 500,000 people in 5,000 foundries.
- Indian foundry industry has a sizeable export turnover of goods valued at Rs 2,000 crore per year.
- In terms of number of production units, it is second only to China, with over 5000 units in actual production.
- The growth in the foundry industry is primarily on account of increased outsourcing from the global auto component industry, the potential export market of which is an estimated \$700 billion.
- India's ability to produce almost any type of casting at any quality level, at a competitive price, together with its annual capacity of 7.5 million MT, makes it a world leading outsourcing destination for casting products.
- The capacity utilization of the smaller players in the industry is about 55% while the larger players are having a capacity utilization of around 85-90%
- Labor, raw materials, and energy are key production factors of the global foundry industry, with labor and raw materials typically the leading production cost factors.

## KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED

- Faced with intense and growing competition from China, the Indian foundry industry has shifted from its low-wage competitive strategy to the higher value-added and more capital-intensive segments of the industry.

(Source: Report on Foundry Industry by Deloitte, Haskins & Sells)

### An overview of the foundry clusters in India

A peculiarity of the foundry industry in India is its geographical clustering. Some of the major foundry clusters in the country are shown in the map.

Typically, each foundry cluster is known for catering to some specific end-use markets. For example, the Coimbatore cluster is famous for pump-sets castings, the Kolhapur and the Belagum clusters for automotive castings and the Rajkot cluster for diesel engine castings.

A summary of the five major foundry clusters in India - Belgaum, Batala/Jalandhar, Coimbatore, Kolhapur and Rajkot - is provided below:

#### **Foundry Cluster: Belgaum**

Belgaum, located in the state of Karnataka, is an important foundry cluster. There are about 100 foundry units at Belgaum. The geographical spread of the cluster includes Udyambag and Macche industrial areas. The foundry industry at Belgaum came up primarily to cater to the needs of the automobile industry at Pune. Belgaum is recognised to be a reliable source of high precision, high volume and economical castings. A significant percentage (almost 20%) of the foundry units at Belgaum has ISO 9000 certification and export casting. The foundry industry at Belgaum caters to a wide variety of end-use applications as can be seen from the table below.



<b>Distribution of foundry units at Belgaum by end-use markets</b>	
Automotive/oil engines	31 %
Pumps/valves	21 %
Electric motors	10 %
Tractors/agricultural implements	7 %
Food processing industry	5 %
Others	26 %

Cupola is the most common melting furnace at Belgaum. Three out of every four foundry use cupola as their main melting furnace. Most of the cupolas are of conventional designs. Divided blast cupola is not very common yet in the cluster. Low ash coke is commonly used in the cupolas. About 40% of the foundry units have electric induction furnace, which are used either as the main melting furnace or for duplexing with cupola. A relatively small percentage (about 5%) of the foundry units use rotary furnaces.

#### **Foundry Cluster: Coimbatore**

Coimbatore, located in the state of Tamil Nadu, is an important foundry cluster in Southern India. The foundry industry at Coimbatore came up mainly to cater to the needs of the local textile and pump-set industries. There are about 600 foundry units in Coimbatore. The geographical spread of the cluster includes Thanneer Pandal/Peelamedu, Ganapathy, SIDCO, Singanallur, Mettupalayam Road and Arasur Village. Most of the foundry units cater to the needs of the domestic market. A small percentage (about 10%) of the foundry units are also exporting castings. Nearly half the number of foundry units are manufacturing castings for the pump-set industry. The distribution of the foundry units by end-use markets is given below.

<b>Distribution of foundry units at Coimbatore by end-use segments</b>	
Pumps/valves	46 %
Food processing industry	7 %
Textile machinery	6 %
Electric motors	6 %
Automotive	4 %
Others	31 %

Cupola is the predominant melting furnace employed by the foundry units. Majority (about 70%) of the cupolas in the cluster are of conventional designs. Electric induction furnaces are used by just 10% of the foundry units, mainly to manufacture graded castings and for duplexing operation.

**Foundry Cluster: Batala and Jalandhar**

Batala and Jalandhar, located in the state of Punjab, are important foundry clusters in Northern India. The majority of the foundry units is in the small-scale and produces grey iron castings. About 15% of the foundry units are also exporting their products. The foundry units at Batala and Jalandhar are predominantly making machinery parts and agricultural implements. Castings for a number of other end-use applications are also produced as can be seen from the table below.

<b>Distribution of foundry units by end-use segments</b>	
Automotive/oil engines	8 %
Tractor parts	6 %
Pumps/fans	10 %
Machine parts	33 %
Agricultural implements	35 %
Others	8 %

Cupola is the predominant melting furnace employed by about 95% of the foundry units at Batala and Jalandhar. The majority of the cupolas are of conventional designs. The foundry units at Batala and Jalandhar usually use high-ash coke in the cupolas.

**Foundry Cluster: Kolhapur**

Kolhapur, located in the state of Maharashtra, is an important foundry cluster for automotive castings. Historically, the foundry cluster came up to cater to the casting requirements of the local industries like oil engine manufacturing, sugar mills and machine tool industry. There are about 250 foundry units at Kolhapur. The geographical spread of the cluster includes Kolhapur, Sangli, Ichalkaranji and Hatkanangale areas. A significant percentage of foundry units (about 25%) at Kolhapur are exporting castings. The foundry units cater to a wide range of end-use sectors, as can be seen from the following table.

<b>Distribution of foundry units at Kolhapur by end-use markets</b>	
Automotive/oil engines	42 %
Pumps/valves	17 %
Sugar industry	6 %
Tractor parts/agricultural implements	4 %
Others	31 %

Cupola is the predominant melting furnace employed by about 75% of the foundry units. The majority of cupolas in the cluster are of conventional type. Divided blast cupola (DBC) can be found in some of the foundry units. Most of the foundries use low ash coke. A number of foundry units (about 40%) have electric induction furnace, which is used to manufacture graded castings and for duplexing with cupola.



**Foundry Cluster: Rajkot**

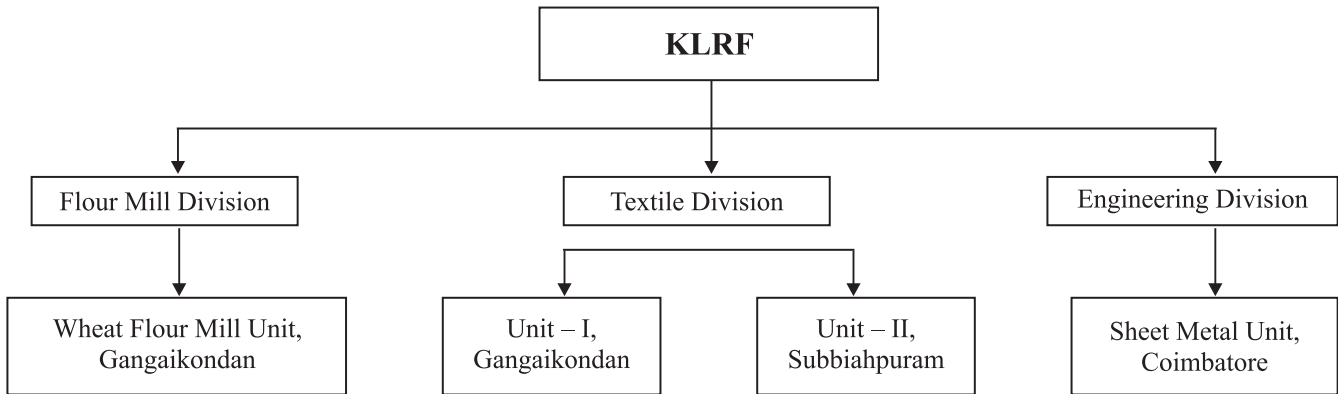
Rajkot, located in the state of Gujarat, is an important foundry cluster in Western India. There are about 500 foundry units at Rajkot. The cluster came-up mainly to cater to the casting requirements of the local diesel engine industry. The geographical spread of the cluster includes Aji Vasahat, Gondal Road and Bhavanagar Road areas. Majority of the foundry units at Rajkot produces grey iron castings for the domestic market. A relatively small percentage (about 10%) of the foundry units exports castings such as electric motor castings, etc. Apart from oil engines, the foundry units at Rajkot cluster caters to a number of other end-use applications, as can be seen from the table below.

<b>Distribution of foundry units at Rajkot by end-use markets</b>	
Oil engines	42 %
Automotive/textile	15 %
Machine tools	11 %
Pumps/valves	7 %
Others	25 %

Cupola is by far, the predominant melting furnace used by nearly 90% of the foundry units. Most of the cupolas are of conventional type. A local cupola design, called 'Rajkot cupola', is quite popular in the cluster. Use of low ash coke is common among the foundry units. A smaller number of foundry units (about 10%) producing castings for the automotive industry use electric induction furnace for melting.

(Source: Website of the Institute of Indian Foundrymen - [www.indianfoundry.com](http://www.indianfoundry.com))

**OUR BUSINESS**



Our wheat flourmill with a milling capacity of 2,000 tons per month commenced operation in the year 1964. We manufacture wheat products under the brand name "Kuthuvilakku". Because of the extreme care and efforts undertaken in manufacturing and maintaining the quality of products, we are well established in the marketplace and our brands of products enjoy a certain degree of preference and command a premium in the market.

With the increase in demand it became necessary to increase the milling capacity. We undertook an expansion program in the year 1978 and the total milling capacity was increased to 5,000 tons a month. Our reach in the market also increased considerably and we continue to have a substantial presence in the southern districts of both Tamil Nadu and Kerala. In Tamil Nadu our markets extend from Kanyakumari to Madurai and in Kerala from Trivandrum to Alleppy and Kottayam. Our products have also been exported to Maldives, Singapore and Indonesia and have been well accepted. The flour milling division milled 42,190 tons of wheat in the year 2005 - 2006. This accounted for 51.18% of the turnover of the company. The company has completed an infrastructure development activity by increasing storage capacity and installation of wheat conveying equipment during the year 2005 - 2006. This has resulted in reduction in material handling expense and improvement in product quality.

The company established a Sheet Metal Division in the year 1978 to cater to the requirements of textile machinery and other capital goods manufacturers.

Having well established in the flour-milling segment, the company undertook a diversification effort and established a cotton textile-spinning mill in the year 1982. We also take advantage of the "Kuthuvilakku" brand for the marketing of cotton yarn manufactured by our textile division. This brand has garnered good acceptance from the user industries. Our textile division produced 48,16,383 kgs of cotton yarn valued at Rs. 43.13 crores which contributed to 48.82% of the turnover of the company. An investment of Rs. 322 lakhs has been made to optimize spinning productivity and to achieve flexibility in processing capabilities during 2005 - 2006.

We have installed windmills commencing from 1994-1995 and till today we have an installed capacity of 6.25 MW of power generation through windmills for captive consumption. This has resulted in lower power cost for the company and tax benefits. The following table illustrates our installed windmills and their respective generation capacities:

**Windmill Table**

Sr. No.	Location	Capacity per mill (KW)	Number of mills	Total Generation Capacity (KW)
1	Aralvoimozhi Village, Kanyakumari District	250	4	1,000
2	Pazhavor Village, Tirunelveli District	750	2	1,500
3	Dhanakarkulam Village, Tirunelveli District	1250	1	1,250
4	Parameswarapuram Village, Tirunelveli District	1250	2	2,50
	<b>TOTAL</b>		<b>9</b>	<b>6,250</b>

## KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED

We are members of the Indian Wind Power Association [IWPA]. The IWPA is seeking UNFCCC [United Nations Framework Convention on Climatic Change] accreditation for the power generated through the use of windmills by its members. This will enable companies like KLRF to sell Carbon Emission Reduction Certificates through authorized brokers on the international market. The IWPA has retained the services of M/s Senergy Global Pvt. Ltd. for preparation of the Project Concept Note for submission to the UNFCCC. The note has been submitted to the UNFCCC by the designated deadline of 31/12/2005.

We have applied for BVQI validation for our windmills located at Pazhavor Village and Dhanakarkulam Village, aggregating to 2750 KW through the Indian Wind Power Association. The BVQI validation will make us eligible to generate CERCs [Carbon Emission Reduction Certificate] for the energy generated and utilized by our Company from our windmills located at Pazhavor and Dhanakarkulam. We propose to seek similar accreditation for the proposed two new windmills commissioned in March 2006.

### SOURCING OF RAW MATERIAL

Wheat: Is mainly purchased from states of Rajasthan, Madhya Pradesh and Uttar Pradesh. Purchased in the open market through leading merchants. The quality of wheat purchased is ensured through inspection by our technicians stationed in procurement areas. We have purchased a total quantity of 45,000 metric tons during the year.

Cotton: Cotton is sourced directly from ginneries in the states of Karnataka, Andhra Pradesh, Gujarat, Maharashtra and Madhya Pradesh. Our cotton selectors are present in the ginning factories to assess the quality to suit our requirements, we have purchased sixty lakh kgs of cotton during the year.

### MARKETING AND SALES

Wheat Flour: Marketed under the brand name "Kuthuvilakku" through established dealers in south Kerala and south Tamil Nadu. We have 30 dealers in Tamil Nadu and 110 dealers in Kerala. Majority of dealers have been associated with the company since inception.

Cotton Yarn: Yarn produced by the company is sold through

1. Company owned depots
2. Dealer network

The yarn is sold mostly in Bhiwandi, Ichalakaranji, Tiruppur, Erode, Karur and Madurai. Yarn manufactured is sold under "Kuthuvilakku" brand. Yarn manufactured is used by the weaving and knitting segments. We have also been exporting combed and carded hosiery yarn to East Asian countries such as Korea, Malaysia and Singapore.

Export obligation:

Sr. No.	EPCG License No.	Date	Details of capital goods purchased	Nature of export requirement	Amount of export obligation	Period within which the obligation has to be fulfilled
1	35300008703	10.03.2005	Savio Autoconer Orion L - 2 nos.	Cotton yarn	USD 5,80,680 Rs. 1,46,61,244/-	8 years ending 09/03/2013

### PRODUCTION FACILITIES

Food Division: Our flourmill has a capacity to process 60,000 metric tons of wheat in a year. We use the following major equipment in operation.

#### Equipment in Cleaning Section

Machine	Unit
Rotary Separator	1
Vibro Separator	1
Scouring machines	3
Destoners	2
Magnetic Apparatus	4
Intensive damping system	1
Aspiration channels	5
Mechanical Conveying equipment	—

**Equipment in Milling Section**

<b>Machine</b>	<b>Unit</b>
Roller Mills	20
Plansifters	7
Purifiers	5
Pin Mills	1
Control sifters	1
Entoletors	2
Pneumatic Conveying equipment	—

**Textile Division:**

**Unit I**

<b>Machine</b>	<b>Unit</b>
Lakshmi Rieter blow room	2 lines
Lakshmi Rieter cards	24 nos.
Lakshmi Rieter sliver lap and ribbon lap	4 nos.
Combers	12 nos.
Lakshmi Rieter draw frame	9 nos.
Lakshmi Rieter Simplex	8 nos.
Lakshmi Rieter ring frame	28 nos.
Textool ring frame	6 nos.
Schlafhorst Autoconer 338 model	2 nos.
Savio Autoconer Orion	2 nos.
Savio Autoconer Espiro	2 nos.
Premier Yarn Evenness Tester	1 no.
Yarn conditioning plant	1 nos.
Doubling frame	9 nos.
Gassing machine	1 no.
Premier HFT 9000 for cotton testing	1 no.

**Unit II**

<b>Machine</b>	<b>Unit</b>
Lakshmi Rieter blow room	2 lines
Lakshmi Rieter cards	12 nos.
Draw frame	3 nos.
LR Open End spinning frame	7 nos.
Doubler Winder	1 no.
Two for One Twister	2 nos.

**Wind Mills**

<b>Machine</b>	<b>Unit</b>
TTG Husumer 250 KW wind mill	4 nos.
NEG Micon 750 KW wind mill	2 nos.
Suzlon 1250 KW wind mill	3 nos.

**OUR COMPETITION**

Food Division: We face competition from other manufacturers who are located within a radius of about 100 kilometers from our factory. There is no competition from international manufacturers. We compete with other manufacturers on the basis of price as well as the quality of products. Our products are sold under Kuthuvilakku brand, which has a good standing in the market.

Textile Division: As in the food products, in cotton also we face competition from other manufacturers. Further we also face competition from manufacturers located abroad. Out of the cotton yarn products manufactured by ring spinning unit (Unit I) around 20% of the products are exported directly to far eastern countries. Rest of the quantity of the yarn is mostly comprised of higher count yarns which have a niche market in Bhiwandi and Ichalkaranji. The yarn produced by the open end unit (Unit II) is sold in the Erode, Karur markets and are used for making furnishing cloth. All the yarn manufactured by us is sold under the Kuthuvilakku brand which continues to enjoy an excellent reputation.

**PRESENT MANPOWER**

UNIT	TYPE	NUMBER
OVERALL		851
FLOUR MILL	Staff	34
	Workers	33
	Loadmen	15
TEXTILE UNIT - I	Staff	30
	Workers	373
	Contract Workers	236
TEXTILE UNIT - II	Staff	13
	Apprentices	84
	Cleaners	6
	Contract Workers	27

**QUALITY CONTROL**

We maintain strict quality control for all our products. Our quality assurance team has adopted strict standards at each stage of production to achieve the higher quality for our end products. The quality assurance department monitors the quality of raw materials, process control and quality of end products. All our production facilities have been certified for ISO 9001:2000 by TUV.

**UTILITIES**

Power

	Unit	Power Facilities
Flour Mill	(Gangaikondan)	TNEB connected load of 650 KVA
Textile Unit - I	(Gangaikondan)	TNEB connected load of 1700 KVA Generator capacity of 1718 KVA
Textile Unit - II	(N. Subbiahpuram)	TNEB connected load of 490 KVA Generator capacity of 740 KVA

**Water**

Water is required at the textile units for humidification and for the cooling systems of the generators. The entire requirement is met from wells at the respective units.

**Environmental Aspects**

The Company's units are classified as non-polluting industries. The production of wheat and cotton yarn does not result in any discharge of pollutants. We have obtained the necessary consent from Tamil Nadu Pollution Control Board. We believe that we are in material compliance with all applicable environmental laws and regulations.

**PROPERTY**

Particulars	Division	Area of land Acre - Cents
Owned land and unencumbered	Flour Mill	81.39
	Textile - I	28.00
	Textile- II	26.20
	Sheet Metal Division	07.45
	Wind Mill - Aralvoimozhi	03.76
	Pazhavor	03.84
	Dhanakarkulam	01.80
	Parameshwarapuram	05.61
	Total Extent	158.05
Total Value	Rs. 53,38,487.00	

Our registered office is located at 75/8, Benares Cape Road, Gangaikondan - 627352, Tirunelveli District, Tamil Nadu.

The property is owned by us.

The details of the locations of our units is as under:

Flour Mill : 75/8, Benares Cape Road, Gangaikondan - 627352, Tirunelveli District, Tamil Nadu

Textile Unit - I : Gangaikondan, Tirunelveli District, Tamil Nadu

Textile Unit - II : N. Subbiahpuram Village, Sattur Taluk, Virudhunagar District, Tamil Nadu

Sheet Metal Division : Periyanaickenpalayam, S.R.K. Vidyalaya Post, Coimbatore - 641020, Tamil Nadu

All these properties are owned by our Company. We have created pari-passu first charges on these properties in favour of our term lenders.

**WORKING CAPITAL LOAN**

We have obtained the working capital facilities for our operations from Canara Bank and Indian Overseas Bank vide their sanction letters dated 14/11/2005 and 14/09/2005 respectively. The limits sanctioned are as follows:

Facility	Amount (Rs. Lacs)
Canara Bank	
Fund Based Limits	1175
Non Fund Based Limits	325
Indian Overseas Bank	
Fund Based Limits	600
Non Fund Based Limits	244

The terms and conditions for the present facilities are as detailed below:

**Annexure I - Canara Bank, Tirunelveli Junction**

Facility	Working Capital
Limit	Rs. 1,500.00 lakhs
Security	Pari-passu first charge on current assets and pari-passu second charge on fixed assets
Interest	10.25%

**Annexure II - Indian Overseas Bank, Tirunelveli Town**

Facility	Working capital
Limit	Rs. 844.00 lakhs
Security	Pari-passu first charge on current assets and pari-passu second charge on fixed assets
Interest	10.75%

**SWOT**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Well diversified company with interests in flour milling, textiles and engineering</li> <li>Over four decades in existence and consistently paying dividend</li> <li>Well established and accepted brand "Kuthuvillaku"</li> <li>Flour mills and textile units are ISO 9001:2000 certified</li> <li>Nine windmills in operation yielding cost savings</li> </ul>	<ul style="list-style-type: none"> <li>Low revenue growth in recent years</li> <li>Low profitability margins as the Company's wheat flour and textiles are commodity products</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Newly acquired subsidiary, Eltex Super Castings Ltd. has a strong client base and enjoys good reputation</li> <li>Windmills could qualify for generation of carbon credits which could yield financial gains for the Company</li> <li>Improvement in the economic outlook for the manufacturing sector in India grants better sales potential for the engineering division and Eltex.</li> </ul>	<ul style="list-style-type: none"> <li>Competition in engineering sector includes companies with larger financial resources and broader product mix capabilities</li> <li>Delay in bringing Eltex out of the purview of BIFR could hamper operational timelines</li> </ul>

**GOVERNMENT REGULATIONS**

Besides normal permissions required to conduct business in India, we are governed by the following regulations

**The Prevention of Food Adulteration Act, 1954.**

**(Act No. 37 of 1954)**

**As Amended upto PFA (8th Amendment) Rules 2002, GSR 853 (E) dated 30/12/2002**

The Prevention of Food Adulteration Act, 1954, is an Act enacted to check the adulteration of foodstuffs in India. The Act specifies rules for different wheat products such as Maida, Sooji, Resultant Atta and Whole Meal Atta. It specifies the nature of the product and the various minimum quality parameters of such products. The parameters are Moisture, Total Ash, Ash Insoluble in dilute Hydrochloric Acid, Gluten and Alcoholic acidity. It also specifies the various flour treatment agents added to the products used for bakery purposes. Products which do not conform to the parameters are liable for penal action.

The Act also specifies the packing and labeling of food products and each product labeling should contain the name, trade mark, description of food contained in the package, the names of ingredients used in the products in descending order of their composition by weight or volume as the case may be. It also specifies the date of expiry of the product packed.

**The Textiles (Development and Regulations) Order, 2001.**

**(An order under Section 3 of The Essential Commodities Act, 1955)**

**Hank Yarn Packing Notification 2003.**

Hank Yarn is meant for handloom weavers. Handloom weaving being a cottage industry, the government has pledged its support to this industry by classifying hank yarn as an essential commodity. As per the notification mentioned above, every producer of yarn, packing for civil consumption, shall necessary pack during each of the quarter, at least 40 % of the total yarn packed by him in the hank form. Further, not less than 80% of the yarn required to be packed in the hank form shall be of counts 40s and below.

**HISTORY AND OTHER CORPORATE MATTERS**

**HISTORY AND BACKGROUND OF OUR COMPANY**

Kovilpatti Lakshmi Roller Flour Mills Limited was incorporated on 16th December 1961 as a Private Limited Company with an Authorized Capital of Rs. 9.00 lacs. It was later converted into a Public Limited Company on 8th May 1982. At the time of conversion, Company had a paid up capital of Rs.32.00 lacs. Subsequently, the equity capital of the company was raised as follows;

Year	Particulars of Issue	Share capital (Rs. lacs)
1982	Public issue of 3,07,500 equity shares of Rs.10/- each @ Re. 11/- each	30.75
1992	Bonus issue of 6,27,500 equity shares of Rs.10/- each	62.75
1993	Rights issue of 6,28,050 equity shares of Rs.10/- each @ Rs.80/- each of which 98,954 equity shares forfeited	52.91
1997	Preferential issue of 616950 equity shares of Rs.10/- each @ Rs.26/- each	61.69

At present, our Company has a paid up equity capital of Rs.240.10 lacs. The Reserves and Surplus as at 30/06/2006 stood at Rs.1,566.97 lacs. The company's shares are listed at Mumbai, Chennai and Coimbatore Stock Exchanges.

KLRF was originally promoted to manufacture wheat products. Subsequently, we expanded our activities into the areas of textiles, engineering and power generation from wind energy for captive consumption.

Our wheat flour mill commenced operation in the year 1964, with the establishment of a wheat roller flour mill facility at Gangaikondan village, Tirunelveli district, Tamil Nadu, with a milling capacity of 2,000 tons per month. We manufactured wheat products under the brand name "Kuthuvilakku". With the increase in demand it became necessary to increase the milling capacity. We undertook an expansion program in the year 1978 and the total milling capacity was increased to 5,000 tons a month. Our reach in the market also increased considerably and we continue to have a substantial presence in the southern districts of both Tamil Nadu and Kerala. In Tamil Nadu our markets extend from Kanyakumari to Madurai and in Kerala from Trivandrum to Alleppy and Kottayam.

KLRF established a sheet metal division in the year 1978 to cater to the requirements of textile machinery and other capital goods manufacturers. This unit was leased out to Mr. R. Soundara Raju from 2001 up to 31/09/2006. From 01/10/2006, we have taken over the operations of this division

KLRF undertook further diversification in 1982 and established a cotton textile-spinning mill in Gangaikondan village, Tirunelveli district adjacent to the flour mill, for the manufacture of cotton yarn. It started with a capacity of 12,000 spindles which subsequently expanded to 29,520 spindles with 12 combers, 6 auto coners, auto leveler drawframes and a yarn conditioning plant over time. In 1988, a second textile mill was commissioned at N. Subbiahpuram village, Virudunagar district, Tamil Nadu. It was an open-end spinning unit with 672 rotors. Subsequently, the capacity has been expanded to 1,344 rotors.

We have installed windmills commencing from 1994-1995 and currently have an installed capacity of 6.25 MW of power generation through windmills for captive consumption. This has resulted in lower power cost for the company and tax benefits.

The flour milling division milled 42,190 tons of wheat in the year 2005-2006. This accounted for 51.18% of the turnover of the company. The company has completed an infrastructure development activity by increasing storage capacity and installation of wheat conveying equipment during the year 2005-2006. This is expected to result in reduction in material handling expense and improvement in product quality.

Textile division produced 48,16,383 kgs of cotton yarn valued at 46.13 crores which contributed to 48.82% of the turnover of the company in 2005-2006. An investment of 275 lacs has been made to optimize spinning productivity and to achieve flexibility in processing capabilities during 2005-2006.

An investment of Rs. 1,230.00 lacs been made in March 2006 to install two wind mill with a capacity of 1.25 MW each expected to generate around 68 lac units an year for our consumption.



**KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED****MILESTONES ACHIEVED**

Year of Incorporation	16/12/1964
Commencement of commercial production of flour mill	1964
Start of Sheet Metal Division	1978
Start of commercial production of Textile Unit I	1982
Start of commercial production of Textile Unit II	1988
Start of wind Mill Division	1995
<b>ISO 9001 certification</b>	
Flour Mill Division	July 2000
Textile Division Unit I	July 1999
Textile Division Unit II	July 1999
Engineering Division	November 2002

**Changes in Registered Office of our Company**

There has been no change in the registered office of the Company since inception.

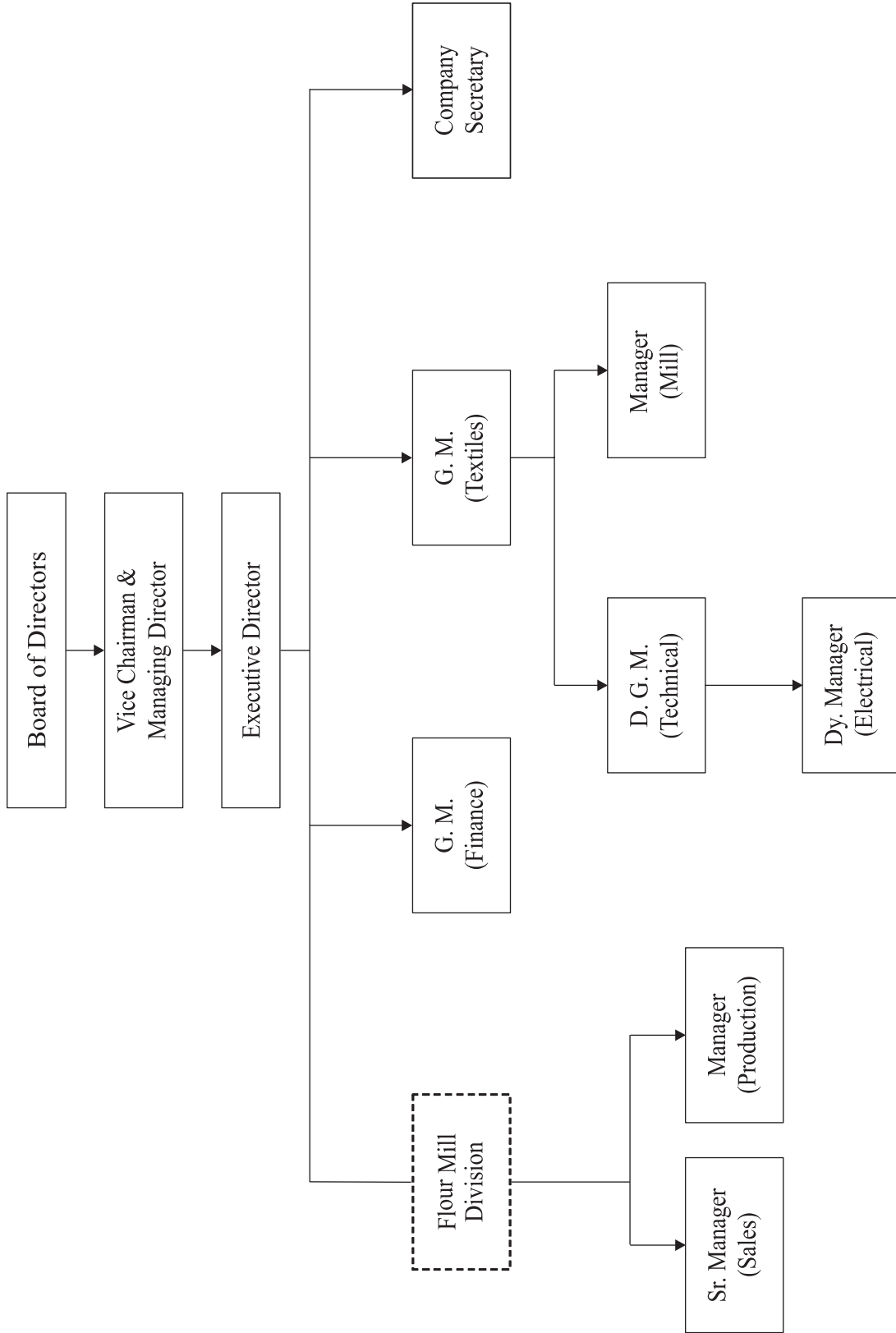
**MAIN OBJECTS OF THE COMPANY**

The main objects of the company consists of 44 object clauses. The relevant main objects covering the present and proposed business activities are as follows:

(As set out in the Memorandum and Articles of Association of the Company)

<b>Main Objects Clause Number</b>	<b>Clause</b>
1]	The establish and run a Flour Mill to manufacture and sell flour from wheat, rice, corn and all other food stuffs.
2]	To construct the necessary buildings and install the required latest machinery and employ suitable labour for carrying on the object mentioned above.
5]	manufacture small tools, cutting tools, grinding tools, drills and taps from steel, mild steel or other ferrous or non-ferrous metals or valuable stones and to sell, buy, import and deal in the same whether as Principal or Agents.
6]	To carry on the business of manufacturers, dealers, traders of Iron foundries, Cast iron foundries, steel melting plants, brass & bronze foundries, mild steel, aluminium, and other ferrous & non-ferrous metals, sheet workers, all kinds of metals, high quality castings of all materials & spare parts,
7]	To manufacture chemicals, manures, dyes, inks, colours, paints lubricants and products of metallurgy and to sell, buy and deal in the same as Principals or Agents.
10]	To manufacture, spin, weave, prepare, bleach, dye, print or in any other way to manipulate staple fibre, cotton, cotton yarn, silk, artificial silk, rayon, synthetic and other fibrous substances and to deal in, sell, purchase or otherwise trade in all or any of the above products and to carry on the business or cotton spinning mills, staple fibre and other fibrous substances, Spinning Mills, Weaving Mills, Cotton ginning and pressing and to establish work, maintain repair, renew, sell, transfer, lease-out and take on lease the buildings and plant and machinery for the above business.
13]	To carry on in any place, in the world any other trade or business whether manufacturing or otherwise, subsidiary or auxiliary to or which can be conveniently carried on in connection with any of the company's object and to establish and maintain any agencies in any part of the world for conduct of the business of the company or for the sale of any materials or things for the time being at the disposal of the company, for sale, and to advertise and adopt means of making known all or any of the products of the company or any article or goods traded or dealt with by the company in any way thought fair and desirable to expedite the sales of all or any of the articles, goods and products mentioned above.
44]	To generate, consume, purchase, sell, supply and distribute electricity by erection / installation of wind or hydel or thermal or solar or atomic or by any other power stations in India or elsewhere and to install / erect transmission equipment, feeder lines, sub-station etc., in connection therewith.

OUR CORPORATE STRUCTURE



OUR MANAGEMENT

BOARD OF DIRECTORS

Name, Designation, Age, Address and Occupation of the Directors	Appointment in the company and the date of expiration of the current term of office.	Other Directorships
<b>Mrs. J. Chandrakanti, Vice-Chairman</b> 71 Years Old No. 162 / New No. 222, Race Course, Coimbatore - 641 018	01/12/2005 30/11/2010	NIL
<b>Mr. Suresh Jagannathan, Managing Director</b> 49 Years Old No. 162 / New No. 222, Race Course, Coimbatore - 641 018	11/03/2001 10/03/2006 Renewal effected from 11/03/2006 up to 10/03/2011	Cape Flour Mills Pvt. Ltd. Elgitread (India) Ltd. Chempaka General Finance Pvt. Ltd. Pricol Ltd. Precot Meridian Ltd.
<b>Mr. V. N. Jayaprakasam, Executive Director</b> 68 Years Flour Mill Quarters, Kovilpatti Lakshmi Roller Flour Mills Limited, 75/8, Benares Cape Road, Gangaikondan - 627 352	01/07/2001 30/08/2006	Prokop Eltex India Pvt. Ltd. KLRG General Finance Pvt. Ltd. Eltex Precision Dies and Tools Pvt. Ltd. Eltex Super Castings Ltd.
<b>Mr. N. V. Srinivasan, Director</b> 77 Years Nagampatti, Pasuvanathanai via, Oottapidaram Taluk, Tuticorin District.	28/09/2005 Retiring by Rotation	Kovilpatti Poly Socks Pvt. Ltd. KLRG General Finance Pvt. Ltd.
<b>Mr. Sudarsan Varadaraj, Director</b> 49 Years "Rasasayang" Old No. 166/New No. 227/1, Tea Estates, Race Course, Coimbatore - 641 018.	24/09/2004 Retiring by Rotation	Elgitread (India) Limited Elgi Rubber Products Limited LRG Technologies Limited Elgi Ultra Industries Limited Super Spinning Mills Limited Geo Renewable power Limited Elgi equipments Limited Elgi Electric and Industries Limited Festo Controls Private Limited Elgitread Limited Elgitread (Kenya) Limited Elgitread (Mauritius) Limited Elgitread Lanka (Private) Limited ElgiTread (Bangladesh) Limited
<b>Mr. S. Govindan, Director</b> 70 Years E-62, 9th Cross Road, Maharaja Nagar, Tirunelveli.	28/09/2005 Retiring by Rotation	NIL
<b>Dr. R. Sethumadhavan, Director</b> (Nominee on behalf of IREDA) 49 Years 'Rainbow', Kasthuri Apartment, 3A, No. 4, III Main Road, Raja Annamalaipuram, Chennai - 600 028.	29/09/2002	NIL
<b>Mr. K. Gnanasekaran, Director</b> 54 Years Old No. 121-B / New No. 162, Race Course, Coimbatore - 641 018	28/09/2005 Retiring by Rotation	Magna Electro Castings Ltd. Elgitread (International) Ltd. Single Window Commodities Ltd. Single Window Securities Ltd. Eltex Super Castings Ltd.

**BRIEF BIOGRAPHY OF OUR DIRECTORS**

Mrs. J. Chandrakanthi, aged 71 years is the Vice Chairman of the company. She has been associated with the company for three decades. She has experience in administration of various units.

Mr. V. N. Jayaprakasam, aged 68 years is the Executive Director of the company. He had graduated from Presidency College, Madras in the year 1959. Joined the company in the year 1962 when the company was incorporated. He had his training with Buhler AG in Uzwil, graduated from Swiss Milling School, St. Galeen and working experience from V.O.L.G. Winterthur, Switzerland. He is with the company since inception.

Mr. N. V. Srinivasan, aged 77 years is an Independent Director who has been the Director of the company for the last three decades. He is a noted landlord and educationist hailing from the Tuticorin District.

Mr. Sudarsan Varadaraj, aged 49 years, B.E.(Hons), M.S. Stanford is a leading industrialist of Coimbatore. He is an Independent Director. He is the Managing Director of Elgitread (India) Ltd., Elgi Rubber Products Ltd.

Dr. R. Sethumadhavan, aged 49 years, B.Tech., Chemical Engineering, Ph.D. is an Independent Director. He is a nominee Director of Indian Renewable Energy Agency Development Limited, New Delhi.

Mr. S. Govindan, aged 70 years, L.T.M. He is a Textile Technologist and contributed immensely for the growth of the Textile Division.

Mr. K. Gnanasekaran, aged 54 years, B.Com., F.C.A. He is a leading stock broker in Coimbatore and has in-depth knowledge in accounts, finance and taxation.

**BORROWING POWERS OF DIRECTORS**

The Board of Directors is authorized to borrow upto Rs. 50,00,00,000/- (Rupees Fifty Crores only). This has been authorized vide Resolution No. 2 passed at the Shareholders' Meeting of the Company held on 12/03/1997.

**COMPENSATION OF MANAGING DIRECTOR/WHOLE TIME DIRECTORS**

Name of the Director	Designation	Remuneration per annum (Rs)	
Mr. Suresh Jagannathan	Managing Director	Basic	7,20,000
		HRA	4,32,000
		Perquisites	3,60,000
		PF	86,400
		Gratuity	34,560
		Total	16,32,960
Commission on net profit 3.50 %			

Name of the Director	Designation	Remuneration per annum (Rs)	
Mrs. J. Chandrakanthi	Vice Chairman	Basic	7,80,000
		HRA	4,68,000
		Perquisites	3,90,000
		PF	93,600
		Gratuity	37,440
		Total	17,69,040
Commission on net profit 1.50 %			

Name of the Director	Designation	Remuneration per annum (Rs)	
Mr. V. N. Jayaprakasam	Executive Director	Basic	6,45,000
		Perquisites	2,58,000
		PF	77,400
		Gratuity	30,960
		Total	10,11,360
Commission on net profit 0.50 %			

**CORPORATE GOVERNANCE**

The present strength of the Board is eight directors. The Board comprises of three Executive Directors and five Non-Executive Directors.

Sr. No	Name of the Director	Designation	Age	Status (Independent/Non-Independent & Executive/Non Executive)
1	Mrs. J. Chandrakanthi W/o. Mr. V. Jagannathan	Vice Chairman	71 years	Non Independent and Executive
2	Mr. N. V. Srinivasan S/o. Mr. Venugopala Krishnasamy	Director	77 years	Independent & Non Executive
3	Mr. Suresh Jagannathan S/o. Mr. V. Jagannathan	Managing Director	49 years	Non Independent & Executive
4	Mr. Sudarsan Varadaraj S/o. Mr. L. G. Varadarajulu	Director	49 years	Independent & Non Executive
5	Mr. V. N. Jayaprakasam S/o. Mr. Nithyanandam	Executive Director	68 years	Non Independent & Executive
6	Mr. S. Govindan S/o. Mr. S. T. Sankaran Pillai	Director	70 years	Non Independent & Non Executive
7	Dr. R. Sethumadhavan S/o. Late Mr. V. Ramachandran	IREDA - Nominee Director	49 years	Independent & Non Executive
8	Mr. K. Gnanasekaran S/o. Mr. S. Karuppaswamy	Director	54 years	Independent & Non Executive

**AUDIT COMMITTEE**

To provide assistance to the Board of Directors of the Company, the Audit Committee was constituted. It consists of Chairman and two other Directors all being independent & Non-Executive Directors. The Audit committee provides direction to and oversees the Audit and Risk Management functions, reviews the financial accounts, interacts with statutory auditors and reviews matters of special interest. The Audit Committee of the company was re-constituted on 24/08/2005. The terms of reference to the Audit Committee as stipulated by the Board are as follows:

- a) To review reports of the Internal Audit Department and recommend to the Board to decide about the scope of its working including the examination of major items of expenditure.
- b) To meet statutory and internal auditors periodically and discuss their findings, suggestions and other related matters.
- c) To review the auditor's report on the financial statements and to seek clarification thereon, if required, from the auditors.
- d) To review the weakness in internal controls, if any, reported by the internal and statutory auditors and report to the Board the recommendations relating thereto.
- e) To act as a link between the statutory and internal auditors and the Board of Directors.
- f) To recommend a change in the auditors if in the opinion of the Committee the auditors have failed to discharge their duties adequately.
- g) Reviewing the Company's financial and risk management policies and looking into reasons of substantial defaults, if any, of non payment to stakeholders.
- h) And, generally all items listed in Clause 49(II) (D) of the Listing Agreement.

The Audit Committee is functioning under the Chairmanship of Mr. K. Gnanasekaran, an independent non-executive Director. The committee constitutes of the following members:

Name of the Director	Designation	Status (Independent/Non-Independent & Executive/Non Executive)
Mr. K. Gnanasekaran	Director - Chairman	Independent & Non Executive Member
Mr. N. V. Srinivasan	Director - Member	Independent & Non Executive Member
Mr. Sudarsan Varadaraj	Director - Member	Independent & Non Executive Member

During the year under review, two meetings of the Audit Committee were held. The Auditors of the company are invited to the Audit Committee meeting. The Company Secretary of the Company acts as the Secretary of the Committee. Mr. R. Kannan is the Chief Financial Officer.

#### INVESTORS'/SHAREHOLDERS' GRIEVANCE COMMITTEE

The Investors' Grievance Committee is headed by Mr. N. V. Srinivasan, an Independent Non- Executive Director. Nine meetings of the Investor's Grievance Committee were held which were attended by the members of the Committee. The committee constitutes of the following members:

Name of the Director	Designation	Status (Independent/Non-Independent & Executive/Non Executive)
Mr. N. V. Srinivasan	Director - Chairman	Independent & Non Executive Member
Mr. Suresh Jagannathan	Managing Director - Member	Non Independent & Executive Member
Mr. V. N. Jayaprakasam	Executive Director - Member	Non Independent & Executive Member

The Company has dealt with all complaints and queries received from its shareholders in accordance with law. It is the Company's endeavor to promptly attend to all complaints and queries. The Company had received seven complaints in respect of Transfer, Dividend, Change of Address, Demat request and others. There are no complaints pending as on the date of filing of this Prospectus.

#### Remuneration/Compensation Committee

To comply with Corporate Governance, Company has formed a Remuneration/Compensation Committee.

Name of the Director	Designation	Status (Independent/Non-Independent & Executive/Non Executive)
Mr. N. V. Srinivasan	Director - Member	Independent & Non Executive Member
Mr. Sudarsan Varadaraj	Director - Member	Independent & Non Executive Member
Dr. R. Sethumadhavan	Director - Member	Independent & Non Executive Member

#### Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 are applicable to our Company and our Equity Shares listed on the Stock Exchanges. We comply with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 of our listed Equity Shares.

#### SHAREHOLDING OF OUR DIRECTORS

As per our Articles, our Directors are not required to hold any Equity Shares in our Company. Save and except as below, our Directors do not hold any Equity Shares in our Company as on the date of filing of this Prospectus.

Name	No. of shares held
Mr. Suresh Jagannathan	7,30,916
Mr. N. V. Srinivasan	22,600
Mr. S. Govindan	50

**INTEREST OF PROMOTERS, DIRECTORS AND SIGNIFICANT SHAREHOLDERS**

All Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. The whole time directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our Company. All our directors may also be deemed to be interested to the extent of equity shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares.

**CHANGES IN OUR BOARD OF DIRECTORS DURING THE LAST THREE YEARS**

Name	Date of Appointment/ Resignation	Reason for change
Mr. K. Gnanasekaran / (Appointment)	06/05/2004	To broad-base the Board. He is a qualified Chartered Accountant
Mr. K. Selvaraj / (Resignation)	10/01/2006	For personal reasons

**OUR KEY MANAGERIAL PERSONNEL**

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of construction/engineering/finance/marketing and corporate laws. Details of Key Managerial Personnel of our Company other than our Managing Director are as follows:

Name, Address, Designation	Age (years)	Qualification	Experience in the Company (years)	Total No. of years of Experience and the nature of experience
<b>Mr. T. V Krishnamurthi</b> Old No. 27, New No. 37, Kalingarayan Street, Ramnagar, Coimbatore - 641 009. <b>Company Secretary</b>	74	A.C.S.	19	51 years Company Secretary
<b>Mr. R. Kannan</b> MKM Banu Residence, Maharaja Nagar, Tirunelveli District. <b>General Manager (Finance)</b>	49	B.Com.	24	24 years Finance & Administration
<b>Mr. V. Ellappan</b> 67, Ettayapuram Road, Kovilpatti - 628 501 <b>General Manager (Textiles)</b>	55	B. Tech. (Textile Technology)	10	26 years Textile Technologist
<b>Mr. R. Venkatesh</b> 435/1, 8th Main Street, Thiyagaraja Nagar, Tirunelveli - 627 011 <b>Deputy General Manager (Textiles)</b>	39	B. Tech. (Textile Technology), MBA	21	21 years Textile Technologist

**SHAREHOLDING OF OUR KEY MANAGERIAL PERSONNEL**

Names of our Key Managerial Personnel	No. of Equity Shares
Mr. R. Kannan	50
Mr. V. Ellappan	Nil
Mr. R. Venkatesh	Nil
Mr. T. V. Krishnamurthi	Nil

**REMUNERATION OF OUR KEY MANAGERIAL PERSONNEL**

Name	Designation	Remuneration per annum (Rs)	
Mr. R. Kannan	General Manager (Finance)	Basic	2,64,240
		HRA	1,02,840
		Perquisites	1,15,800
		PF	31,704
		Gratuity	12,684
		Total	5,27,268

Name	Designation	Remuneration per annum (Rs)	
Mr. V. Ellappan	General Manager (Textiles)	Basic	2,23,800
		HRA	89,520
		Perquisites	89,520
		PF	26,856
		Gratuity	10,740
		Total	4,40,436

Name	Designation	Remuneration per annum (Rs)	
Mr. R. Venkatesh	Deputy General Manager (Textiles)	Basic	1,65,060
		HRA	66,024
		Perquisites	74,592
		PF	19,812
		Gratuity	7,920
		Total	3,33,084

Name	Designation	Remuneration per annum (Rs)	
Mr. T. V. Krishnamurti	Company Secretary		30,000/-

**CHANGES IN OUR KEY MANAGERIAL PERSONNEL DURING THE LAST THREE YEARS**

Our average employee turnover ratio among our senior executives and key managerial personnel is not significant. We have not had any changes in our key managerial personnel in the last three years.

**EMPLOYEE STOCK OPTION SCHEMES**

Till date, the Company has not introduced any Employees Stock Option Scheme/Employee Stock Purchase Scheme.

**INTEREST OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Except as stated otherwise in this Prospectus, no amount or benefit has been paid or given within the two preceding years or are intended to be given to any of our Directors or key managerial personnel except the normal remuneration for services rendered as directors, officers or employees.



## OUR PROMOTERS AND THEIR BACKGROUND



Mr. Suresh Jagannathan, aged 49 years is a Management Graduate from Rensselaer Polytechnic Institute, New York, U.S.A. He has more than two decades of experience in flour milling, textiles and engineering industry. He started his career in 1979 as an Executive in the engineering division. On 12/03/1981 he was appointed as Executive Director responsible for the operations of the company. Subsequently he was appointed as Joint Managing Director on 01/12/1988 and became the Managing Director on 11/03/2001.

**Residential Address** : Old No. 162, (New No. 222), Race Course, Coimbatore - 641 018

**PAN** : ACBPJ1194K

**Bank A/c no.** : SB A/c No. 1872, Indian Bank, Papanackpalayam Branch, Coimbatore - 641 037.

**Voter ID** : CDW 13809890

**Passport No.** : Z 085121

**Driving License no.** : R/TN/038/003167/1997

We confirm that the Permanent Account Number, Bank Account Numbers, Passport Number have been submitted to the Stock Exchanges at the time of filing of the Draft Prospectus. Further, our Promoters have not been detained as a willful defaulter by the Reserve Bank of India or any other Government authority and there are no violations of securities laws committed by the Promoters in the past or any such proceedings are pending against the Promoters.

## INTEREST OF DIRECTORS

All the Promoters may be deemed to be interested to the extent of reimbursement of expenses, if any, payable to them under the articles. The Directors may also be deemed to be interested to the extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a Director/Member respectively and the shares if any, out of the present Offer that may be subscribed for and allotted to them or their relatives or any Company in which they are Directors / members of firms in which they are partners.

## RELATED PARTY TRANSACTION

For details please refer to page 74 of this Prospectus

## CURRENCY OF PRESENTATION

In this Prospectus, all references to "Rupees" and "Rs." are to the legal currency of India,

## DIVIDEND POLICY

The company has a policy of rewarding the shareholders with dividend. The company has been consistently paying dividend to its shareholders.

DIVIDEND TRACK RECORD		
YEAR	%	Rs.
1981	15	1,20,000
1982	6	2,98,052
1983	--	0
1984	--	0
1985	8	5,00,447
1986	15	9,41,250
1987	15	9,41,250
1988	15	9,41,250
1989	7.50	4,70,625
1990	18	11,29,500

DIVIDEND TRACK RECORD		
YEAR	%	Rs.
1991	20	12,55,000
1992	20	12,55,000
1993	---	0
1994	10	18,01,726
1995	20	36,62,841
1996	20	36,63,846
1997	20	39,11,676
1998	20	41,85,142
1999	10	20,92,571
2000	15	31,38,857

DIVIDEND TRACK RECORD		
YEAR	%	Rs.
2001	16	33,48,114
2002	10	20,92,571
2003	10	20,92,571
2004	10	20,92,571
2005	15	31,38,857
2006	20	48,02,092

**OUR SUBSIDIARY**

**Eltex Super Castings Ltd.**

Eltex Super Castings Limited was incorporated as Public Ltd. Company on 31/10/1973 under Companies Act, 1956. Eltex was engaged in the manufacturing of Grey Iron, SG Iron and Alloy Iron Castings. Eltex has a foundry unit near Coimbatore. It has become our subsidiary with effect from 28/08/2006.

The Board of Directors of Eltex are as under:

<b>Name, Designation and Address</b>	<b>Experience (Years)</b>	<b>Area of Experience</b>	<b>Qualification</b>	<b>Date of Appointment</b>
Mr. V. Jagannathan <b>Managing Director</b> 162, Race Course, Coimbatore - 641 018	43	Flour Milling, Textiles, Sheet Metal Fabrication, Foundry	Diploma in Textiles	26/11/1973
Mr. R. Srinivasan <b>Director</b> 149, Raju Naidu Road, Coimbatore - 641 012	43	Insurance, Textiles Flour Milling and Foundry Industry	Graduate in Science	21/01/2000
Mr. R. Soundara Raju <b>Director</b> 46, Poombuhar nagar, Thudiyalur Post, Coimbatore - 641 034	29	Installation and Maintenance of Steam Boiler Diesel Engine Generator Sets, Manufacturing of Electronic Color Sorting machines, Sheet Metal Components, Machine Building Activities and Textiles	Diploma in Electrical Engineering and Diploma in Maintenance Management Education	26/03/2003
Mr. V. N. Jayaprakasam <b>Director</b> Flour Mill Quarters, Kovilpatti Lakshmi Roller Flour Mills Limited, 75/8, Benares Cape Road, Gangaikondan - 627 352	44	Flour Milling, Engineering	Graduate from Presidency College, Chennai and the Swiss Milling School, St. Galeen.	29/09/2006
Mr. K. Gnanasekaran <b>Director</b> Old No. 121-B/New No. 162, Race Course, Coimbatore - 641 018	30	Accounts, Finance and Taxation	B. Com., F.C.A.	29/09/2006

Eltex has been completing the statutory compliances. The company has not been complying with the requirements of Corporate Governance since the same are not applicable to the Company. The company has a paid up capital below Rs.3.00 crores as on 30/09/2005. There is no dispute, pending litigation or violation under FERA or any other statutes in force as on date against Eltex.

The present shareholding pattern of Eltex is as follows:

<b>Category</b>	<b>No. of shares held</b>	<b>% holding</b>
<b>Promoter Group</b>		
Kovilpatti Lakshmi Roller Flour Mills Limited	18,55,122	65.44
Cape Flour Mills Pvt. Limited	1,30,095	4.59
Chempaka General Finance Pvt. Limited	14,400	0.51
<b>TOTAL</b>	<b>19,99,617</b>	<b>70.53</b>
<b>Public Shareholding</b>		
Financial Institutions	2,250	0.08
Bodies Corporate	2,18,963	7.72
Individual shareholders	6,14,170	21.67
<b>TOTAL</b>	<b>8,35,383</b>	<b>29.47</b>
<b>TOTAL (A+B)</b>	<b>28,35,000</b>	<b>100.00</b>

**KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED**
**Financial Highlights**

(Rs. Lacs)

<b>PROFIT &amp; LOSS STATEMENT</b>	<b>31/03/2004</b>	<b>31/03/2005</b>	<b>31/03/2006</b>
Income from Sales (Excluding Excise Duty & Sales Tax)	9.31	0.00	0.30
Other Income	0.54	34.68	0.10
Increase/ (Decrease) in stock	(3.38)	0.00	(0.05)
Total Income	6.46	34.68	0.35
Total Expenditure	14.76	101.52	28.48
Profit/(Loss) Before Depreciation, Interest and Tax	(8.30)	(66.84)	(28.13)
Depreciation	20.55	12.90	6.20
Interest & Finance Charges	37.88	24.69	26.81
Profit/(Loss) After Depreciation, Interest and Tax	(66.73)	(104.43)	(61.14)
Extra Ordinary Items	2.96	0.77	154.74*
Profit Before Tax	(63.77)	(103.66)	93.60
Provision for - Deferred Tax Asset	0.00	0.00	221.89
- Fringe Benefit Tax	-	-	(0.08)
<b>Profit After Tax</b>	<b>(63.77)</b>	<b>(103.66)</b>	<b>315.41</b>

\* Consists of, waiver if interest on onetime settlement of dues with banks to the extent of Rs.45.73 lacs and provision no longer required written back amounting to Rs.109.01 lacs.

(Rs. Lacs)

<b>BALANCE SHEET STATEMENT</b>	<b>31/03/2004</b>	<b>31/03/2005</b>	<b>31/03/2006</b>
<b>Sources of funds</b>			
Paid up share capital	283.50	283.50	283.50
Reserves and Surplus (excluding revaluation reserves)	19.74	19.75	19.75
Revaluation reserves	184.17	178.04	171.93
Secured Loans	379.58	250.00	-
Unsecured Loans	230.37	223.28	617.14
<b>Total</b>	<b>1097.36</b>	<b>954.57</b>	<b>1092.32</b>
<b>Uses of funds</b>			
Net fixed assets	447.00	259.97	247.67
Capital work in progress	0.67	0.67	0.67
Investments	33.08	33.08	0.02
Net Current Assets	(982.89)	(1042.31)	(999.47)
Deferred Tax Asset			221.89
Miscellaneous Expenditure (Debit balance of Profit & Loss A/C )	1,599.50	1,703.16	1,621.55
<b>Total</b>	<b>1097.36</b>	<b>954.57</b>	<b>1,092.32</b>
<b>Networth</b>	<b>(1296.26)</b>	<b>(1399.91)</b>	<b>(1318.29)</b>

<b>Other Financial Data</b>	<b>31/03/2004</b>	<b>31/03/2005</b>	<b>31/03/2006</b>
Dividend (%)	-	-	-
Earning Per Share	(2.25)	(3.66)	11.13*
Return on Networth %	(4.92)	(7.40)	(23.93)
Book Value Per Share (Face Value of Rs. 10/-)	(45.72)	(49.38)	(46.50)

\* calculated on the profit after extraordinary item. The extraordinary items consists of waiver if interest on onetime settlement of dues with banks to the extent of Rs.45.73 lacs and provision no longer required written back amounting to Rs. 109.01 lacs.

Eltex came out with a public issue of a size of Rs.19,77,000 comprising of 1,97,700 equity shares Rs. 10/- each at par to the Indian Public through prospectus dated 18/01/1974. The Company came out with a Rights Issue, vide the letter of offer dated 13/01/1994, of 1,89,200 equity shares of Rs. 10/- each for cash at a premium of Rs. 10/- per equity share to the existing shareholders of the Company at a ratio of one equity share for every four equity shares held on the Record Date. The equity shares of the company are listed on the Madras Stock Exchange (MSE) since 12/08/1974 and Coimbatore Stock Exchange (CoSE) since 08/05/1993. There has been no penal action taken by any of the Stock Exchanges where the equity shares of Eltex are listed. The issued & paid up equity share capital of the company is Rs.283.50 lacs comprising of 28,35,000 equity shares of Rs. 10/- each. There are no partly paid up equity shares in the Company.

The equity shares of the company are listed on the Madras Stock Exchange (MSE) since 12/08/1974 and Coimbatore Stock Exchange (CoSE) since 08/05/1993. The equity shares are infrequently traded on these exchanges in terms of Explanation (i) to Regulation 20(5). The equity shares were last traded on 31/03/1997 on the Madras Stock Exchange at a price of Rs. 24/- per share.

**Promise v/s Performance of Past Issues**

The company came out with a public issue of Rs.19,77,000 comprising of 1,97,700 equity shares Rs. 10/- each at par per share to the Indian Public through prospectus dated 18/01/1974. The Company came out with a Rights Issue, vide the letter of offer dated 13/01/1994, of 1,89,200 equity shares of Rs. 10/- each for cash at a premium of Rs. 10/- per equity share to the existing shareholders of the Company at a ratio of one equity share for every four equity shares held on the Record Date. Apart from this, there have been no other public or rights issues conducted by the Company. The objects of the both issues were completed on time.

The un-audited financial results as published by Eltex for the six months ended 30/09/2006 are as follows:

<b>Year Ending March 31,</b>	<b>Six months ended 30/09/2006</b>
Equity Capital (Rs. in lacs)	283.50
Reserves & Surplus (Rs. in lacs)	19.75
Income (Rs. in lacs)	26.35
Profit/(Loss) after tax (Rs. in lacs)	(86.83)
Earnings per share (In Rupees)	(3.06)

**KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED****OUR PROMOTER GROUP COMPANIES****1. Cape Flour Mills Pvt. Ltd (Cape)**

Cape was incorporated on 10/04/1981. The company is engaged in the manufacture of wheat products, color sorting machines and generation of energy through windmills with the following persons on its Board.

- Sri. V. Jagannathan
- Sri. Suresh Jagannathan
- Sri. R. Dhamodhuran
- Sri. P. K. S. Kuthalingam

The shareholding pattern of Cape Flour Mills Pvt. Ltd is given below:

SI.No.	Shareholder	No. of shares held of Rs.10/- each	Percentage of Voting Strength
1	Sri. V. Jagannathan	3550	8.90
2	Smt. J. Chandrakanthi	3650	9.15
3	Sri. Suresh Jagannathan	26600	66.67
4	Smt. Mahitha S. Jagannathan	550	1.38
5	Sri. Ethirajulu Rangarao	50	0.13
6	Sri. R. Dhamodhuran	500	1.25
7	Master Sarath S. Jagannathan	500	1.25
8	Chempaka General Finance P. Ltd	4500	11.28
	<b>Grand Total</b>	<b>39900</b>	<b>100.00</b>

**Financial Highlights**

Year Ending March 31,	2004	2005	2006
Equity Capital (Rs. in lakhs)	3.99	3.99	3.99
Reserves & Surplus (Rs. in lakhs)	397.94	408.43	413.98
Income (Rs. in lakhs)	4187.64	3946.06	3905.70
Profit after tax (Rs. in lakhs)	18.21	12.70	9.22
Earnings per share (In Rupees)	46.00	32.00	23.11
Book value per share (In Rupees)	1007.00	1034.00	1047.53

This Company is an unlisted Company and it has not made any public or rights issue in the preceding three years. The Company is not a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act 1985 and is not under winding up.

**2. Chempaka General Finance Pvt. Ltd (Chempaka)**

Chempaka was incorporated on 22/03/1980. The company is an investment company with the following persons on its Board.

- Mr. Suresh Jagannathan
- Mr. R. Srinivasan
- Mr. V. Krishnasamy

The shareholding pattern of the Chempaka General Finance Pvt Ltd. is given below:

Shareholder	No. of shares held of Rs.10/- each	Percentage of Voting Strength
Mr. V. Jagannathan	525	26.25
Ms. J. Chandrakanthi	475	23.75
Mr. Suresh Jagannathan	1000	50.00
<b>Total</b>	<b>2000</b>	<b>100.00</b>

**Financial Highlights**

Year Ending March 31,	2004	2005	2006
Equity Capital (Rs. in lakhs)	2.00	2.00	2.00
Reserves & Surplus (Rs. in lakhs)	2.17	2.23	2.42
Income (Rs. in lakhs)	0.17	0.17	0.21
Profit after tax (Rs. in lakhs)	0.10	0.01	0.18
Earnings per share (In Rupees)	4.84	0.68	5.00
Book value per share (In Rupees) (Face Value of Rs. 100/-)	208.50	211.50	221.05

This Company is an unlisted Company and it has not made any public or rights issue in the preceding three years. The Company is not a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act 1985 and is not under winding up.

**3. Prokop Eltex (India) Pvt. Ltd (Prokop)**

Prokop was incorporated on 21/10/1992 as a Private Ltd company. The company is manufacturing flour mill machineries. The following persons are on its Board.

- Mr. V. Jagannathan
- Mr. V. N. Jayaprakasam
- Mr. Jiri Trnka

Shareholder	No. of shares held of Rs.10/- each	Percentage of Voting Strength
Mr. V. Jagannathan	3100	6.20
Mr. R. Srinivasan	100	0.20
Mr. Suresh Jagannathan	21800	43.60
Mr. Jiri Trnka	25000	50.00
<b>Total</b>	<b>50000</b>	<b>100.00</b>

**Financial Highlights**

Year Ending March 31,	2004	2005	2006
Equity Capital (Rs. in lakhs)	5.00	5.00	5.00
Reserves & Surplus (Rs. in lakhs)	(5.09)	(9.04)	(0.80)
Income (Rs. in lakhs)	43.50	68.95	109.39
Profit after tax (Rs. in lakhs)	(10.69)	(3.95)	8.24
Earnings per share (In Rupees)	(21.38)	(7.90)	16.48
Book value per share (In Rupees)	(0.18)	(8.08)	8.39

This Company is an unlisted Company and it has not made any public or rights issue in the preceding three years. The Company is not a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act 1985 and is not under winding up.

**4. Eltex Precision Dies & Tools Pvt. Ltd (EPDT)**

EPDT was incorporated on 31/01/1974. The Company was originally established to manufacture tools for the manufacturing sector. The Company has ceased to function for the last decade. The following persons are on its Board.

- Ms. Shanthi Rao
- Mr. R. Govindarajan
- Mr. V. N. Jayaprakasam

**KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED**

The share holding pattern of EPDT is given below:

Shareholder	No. of shares held of Rs.10/- each	Percentage of Voting Strength
Mr. V. Jagannathan	50	5.00
Mr. R. Govindarajan	50	5.00
Mr. Suresh Jagannathan	900	90.00
<b>Total</b>	<b>1000</b>	<b>100.00</b>

**Financial Highlights**

Year Ending March 31,	2004	2005	2006
Equity Capital (Rs. in lakhs)	1.00	1.00	1.00
Reserves & Surplus (Rs. in lakhs)	(4.31)	(4.52)	(4.84)
Income (Rs. in lakhs)	0.47	0.00	0.00
Profit after tax (Rs. in lakhs)	0.45	(0.21)	(0.32)
Earnings per share (In Rupees)	45.06	(21.00)	(32.00)
Book value per share (In Rupees) (Face value = Rs.100/-)	(331)	(352)	(384)

This Company is an unlisted Company and it has not made any public or rights issue in the preceding three years. The Company is not a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act 1985, since the number of employees in the Company is less than fifty.

**5. McKinnon India Pvt Ltd. (McKinnon)**

McKinnon was incorporated on 09/06/1993. The company is engaged in the manufacture of coffee processing machineries. The following persons are on its Board.

- Mr. V. Jagannathan
- Mr. R. Srinivasan

Shareholder	No. of shares held of Rs.10/- each	Percentage of Voting Strength
Mr. V. Jagannathan	4950	16.50
Mr. R. Srinivasan	50	0.17
Mr. Suresh Jagannathan	20000	66.67
Ms. J. Chandrakanthi	5000	16.66
<b>Total</b>	<b>30000</b>	<b>100.00</b>

**Financial Highlights**

Year Ending March 31,	2004	2005	2006
Equity Capital (Rs. in lakhs)	4.00	4.00	3.00
Reserves & Surplus (Rs. in lakhs)	119.36	131.12	118.96
Income (Rs. in lakhs)	115.26	200.49	226.50
Profit after tax (Rs. in lakhs)	(0.37)	13.99	(2.37)
Earnings per share (In Rupees)	(0.92)	34.98	(7.90)
Book value per share (In Rupees)	308.40	337.80	406.54

## 6. KLRF General Finance Pvt. Ltd (KLRF GF)

KLRF GF was incorporated on 31/05/1983. The Company is presently not engaged in any business activity. The following persons are on its Board.

- Mr. V. N. Jayaprakasam
- Mr. N. V. Srinivasan

The shareholding pattern of the KLRF General Finance Pvt Ltd. is given below:

Shareholder	No. of shares held of Rs.10/- each	Percentage of Voting Strength
Mr. V. Jagannathan	7500	33.33
Ms. J. Chandrakanthi	7499	33.33
Mr. Suresh Jagannathan	7501	33.34
<b>Total</b>	<b>22500</b>	<b>100.00</b>

## Financial Highlights

Year Ending March 31,	2004	2005	2006
Equity Capital (Rs. in lakhs)	2.25	2.25	2.25
Reserves & Surplus (Rs. in lakhs)	0.25	0.31	0.40
Income (Rs. in lakhs)	0.16	0.16	0.16
Profit after tax (Rs. in lakhs)	0.10	0.06	0.09
Earnings per share (In Rupees)	0.43	0.26	0.40
Book value per share (In Rupees)	11.11	11.37	11.77

This Company is an unlisted Company and it has not made any public or rights issue in the preceding three years. The Company is not a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act 1985 and is not under winding up.

## Related Party Transactions

Kindly refer to page 74 of this Prospectus.

## Companies under the same management

There are no companies under the same management within the meaning of section 370(1) (B) of the Companies Act, 1956 except those mentioned under "Our Promoter Group Companies" commencing from page 56 of this Prospectus.

None of our Promoters or Promoter Group Companies or our Subsidiary have been restrained or prohibited by SEBI or any other regulatory authority from accessing the capital markets for any reason.

None of the companies promoted by our Promoters have been struck off from the records of the Register of Companies.

## COMMON PURSUITS

The Group Companies are carrying on separate businesses and there is no conflict of interest situation except as mentioned herein; which are not significant. Cape Flour Mills Pvt. Ltd. is engaged in the manufacture of wheat products, color sorting machine and generation of energy through windmills. Cape is a promoter group Company. Additionally, Cape has licensed the "Kuthuvillaku" trademark from KLRF for use with its own flour products and as such there is a conflict of interest as far as the production and marketing of wheat flour is concerned.

## Companies of the Promoter/Promoter Group referred to BIFR/ under winding up/having negative net worth

There are no companies of the Promoter / Promoter Group that have been referred to BIFR or under winding up proceedings or having negative net worth, except for Eltex Super Castings Ltd. which has been referred to BIFR and Eltex Precision Dies and Tools Pvt. Ltd. which has a negative net worth.



**SECTION V: FINANCIAL STATEMENTS**

**AUDITOR'S REPORT**

To

The Board of Directors  
Kovilpatti Lakshmi Roller Flour Mills Ltd.,  
75/8, Benares Cape Road  
Gangaikondan - 627 352  
Tirunelveli District.

Dear Sirs,

I have examined and found correct the Audited Accounts of Kovilpatti Lakshmi Roller Flour Mills Limited, Gangaikondan for the past five financial years/ period ended 31st March, 2002, 2003, 2004, 2005, 2006 and three months period ended on 30th June, 2006 being the last date upto which the accounts of the company have been made up and audited by me. Subject to paragraph 3 & 4 of Auditors Report and Notes on Accounts in Schedule 18 of the said audited financial statements, at the date of signing this report, I am not aware of any material adjustment which would affect the result shown by these accounts in accordance with the requirement of Part II of Schedule II to the Companies Act, 1956.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the Act), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) and my terms of reference with the company dated 26.12.2005 requesting me to make this report for the purpose of the Offering Memorandum as aforesaid, I report that:

- a. The restated profits of the company for the financial years/ period ended 31st March, 2002, 2003, 2004, 2005, 2006 and three months period ended 30th June, 2006 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in my opinion are appropriate and more fully described in the Significant Accounting Policies and Notes appearing in Annexure III & IV respectively to this report.
- b. The restated assets and liabilities of the company as at 31st March, 2002, 2003, 2004, 2005, 2006 and three months period ended 30th June, 2006 are as set out in Annexure II to this report after making such adjustments and regroupings as in my opinion are appropriate and more fully described in the Significant Accounting Policies and Notes appearing in Annexure III & IV respectively to this report.
- c. The restated segmental reporting of the company as on 31st March, 2002, 2003, 2004, 2005, 2006 and three months period ended 30th June, 2006 are as shown in Annexure V of the report.
- d. The restated segmental reporting of the company as on 31st March, 2002, 2003, 2004, 2005, 2006 and three months period ended 30th June, 2006 are as shown in Annexure VI of the report.
- e. The rates of dividend paid by the company in respect of the years/ period ended 31st March, 2002, 2003, 2004, 2005, 2006 and three months period ended 30th June, 2006 are as shown in Annexure VII of the report.
- f. I have examined the following financial information relating to the company and as approved by the Board of Directors for the purpose of inclusion in the offer document:
  - i. Accounting Ratios as appearing in Annexure VIII to this report
  - ii. Capitalization Statement as at 31st March, 2006 and 30.06.2006 as appearing in Annexure IX to this report
  - iii. Statement of tax shelters as appearing in Annexure X to this report
  - iv. Details of other income as appearing in Annexure XI to this report
  - v. Details of sundry debtors as appearing in Annexure XII to this report
  - vi. Details of loans and advances as appearing in Annexure XIII to this report
  - vii. Details of unsecured loans as appearing in Annexure XIV to this report
  - viii. Details of secured loans as appearing in Annexure XV to this report
  - ix. Details of related party disclosures as appearing in Annexure XVI to this report

In my opinion the above financial information of the company read with Significant Accounting Policies and notes on account attached in Annexure III & IV to this report, after making adjustments and re-grouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

This report is intended solely for your information and for inclusion in the offer document in connection with the specific public offer of equity shares of the company and is not to be used, referred to or distributed for any other purpose without my written consent.

Thanking you,

Sd/-  
P.Marimuthu  
Chartered Accountant  
Membership No.5770

Place : Tirunelveli  
Date 22/09/2006

KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED

The Financial highlights for KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LTD.,  
for the five financial years ended 31st March, 2002, 2003, 2004, 2005 and 2006 and for the three months  
ended 30/06/2006

ANNEXURE I

STATEMENT OF PROFITS AND LOSSES

(Rs.in lacs)

Particulars	For the year ended March 31,					Three months ended
	2002	2003	2004	2005	2006	30/06/2006
<b>Income</b>						
Sales and charges	7,660.11	7,361.81	9,184.31	9,638.57	9,282.77	2,578.69
Other Income	14.49	17.36	22.98	29.70	24.46	5.33
Increase / Decrease in Finished Goods Stock	-27.75	4.07	41.31	-103.26	76.34	71.80
<b>Total</b>	<b>7,646.85</b>	<b>7,383.25</b>	<b>9,248.60</b>	<b>9,565.01</b>	<b>9,383.57</b>	<b>2,655.82</b>
<b>Expenditure</b>						
Raw material consumed	5,369.89	5,118.15	6,666.52	6,907.43	6,564.97	1,953.40
Staff Costs	477.85	311.89	263.81	282.93	382.60	81.40
Depreciation	216.27	199.58	209.48	197.03	260.52	96.46
Other expenses	1,107.01	1,098.52	1,317.88	1,265.40	1,124.47	243.60
Administration Expenses	111.61	88.83	80.42	103.94	121.39	25.65
Selling and Distribution Expenses	164.95	148.72	190.99	183.95	163.24	40.43
Interest	277.36	298.22	297.91	275.11	324.27	97.27
<b>Total</b>	<b>7,724.94</b>	<b>7,263.90</b>	<b>9,027.01</b>	<b>9,215.80</b>	<b>8,941.46</b>	<b>2,538.21</b>
<b>Net profit before tax and Extra-ordinary Items</b>	<b>-78.09</b>	<b>119.34</b>	<b>221.59</b>	<b>349.21</b>	<b>442.11</b>	<b>117.61</b>
Taxation - Current Liability	0.00	4.20	9.79	19.81	29.08	10.71
- Deferred Liability / (-) Assets	-31.64	-113.79	25.20	51.00	1.64	0.00
- Fringe Benefit Tax	0.00	0.00	0.00	0.00	4.03	0.52
<b>Net Profit before Extra-ordinary Items</b>	<b>-46.45</b>	<b>228.94</b>	<b>186.60</b>	<b>278.39</b>	<b>407.36</b>	<b>106.38</b>
Extra-ordinary Items	8.00	66.05	94.19	96.59	96.59	22.15
<b>Net Profit after Extra-ordinary Items</b>	<b>-54.45</b>	<b>162.89</b>	<b>92.41</b>	<b>181.80</b>	<b>310.77</b>	<b>84.23</b>

## STATEMENT OF ASSETS AND LIABILITIES

(Rs.in lacs)

Particulars	For the year ended March 31,					Three months ended
	2002	2003	2004	2005	2006	30/06/2006
<b>FIXED ASSETS (A)</b>						
Gross Block	3,752.14	3,790.78	3,828.35	4,498.57	6,105.84	6,112.10
Less : Depreciation	2,137.19	2,333.18	2,524.74	2,705.63	2,962.13	3,058.22
Net Block	1,614.96	1,457.60	1,303.61	1,792.94	3,143.71	3,053.88
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Net Block after adjustment for revaluation reserve	1,614.96	1,457.60	1,303.61	1,792.94	3,143.71	3,053.88
Investments (B)	15.98	17.29	9.92	6.28	1.50	1.50
Current Assets, Loans and Advances						
Inventories	690.59	1,300.97	1,652.19	1,899.73	1,888.78	2,901.63
Sundry Debtors	752.76	605.08	592.25	684.06	739.17	850.83
Cash and Bank Balances	67.14	68.15	103.79	96.53	133.92	53.64
Loans and Advances	481.74	395.55	313.05	443.95	1,171.38	1,236.39
Other Current Assets if any	0.00	0.00	0.00	0.00	0.00	0.00
Total (C )	1,992.23	2,369.75	2,661.27	3,124.27	3,933.25	5,042.49
Deferred Tax Assets (D)	31.64	145.43	0.00	0.00	0.00	0.00
Deferred Revenue Expenditure (E)	32.01	397.51	303.31	218.72	122.12	99.97
<b>TOTAL ASSETS (A+B+C+D+E)</b>	<b>3,686.82</b>	<b>4,387.57</b>	<b>4,278.11</b>	<b>5,142.21</b>	<b>7,200.58</b>	<b>8,197.84</b>
Liabilities and Provisions						
Secured Loans	1,903.78	1,909.44	1,701.11	2,311.12	3,744.05	3,795.07
Unsecured Loans	394.28	736.64	578.29	526.42	1,060.11	1,389.69
Current Liabilities and Provisions	190.37	403.76	712.41	821.05	565.71	1,098.13
Total (F)	2,488.43	3,049.84	2,991.81	3,658.60	5,369.86	6,282.90
Net worth (G)	1,198.39	1,337.73	1,231.07	1,377.38	1,722.85	1,807.08
Represented By						
Share Capital	209.26	209.26	209.26	209.26	240.10	240.10
Reserves	989.13	1,128.47	1,021.81	1,168.12	1,482.75	1,566.98
Less : Revaluation Reserves	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Tax Liabilities (H)	0.00	0.00	55.23	106.23	107.87	107.87
<b>TOTAL LIABILITIES (F+G +H)</b>	<b>3,686.82</b>	<b>4,387.57</b>	<b>4,278.11</b>	<b>5,142.21</b>	<b>7,200.58</b>	<b>8,197.84</b>

**1 Significant Accounting Policies****a METHOD OF ACCOUNTING**

The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

**b FIXED ASSETS**

Interest and commitment charges on term loans specifically availed for acquisition of assets for modernisation is capitalised until commencement of production. Exchange rate fluctuations on assets acquired under foreign currency loan are capitalised. Depreciation on assets has been provided on Straight Line Basis at the rates specified in Schedule XIV of the Companies Act, 1956, as amended. Recoverable amount of every asset is higher of its carrying amount and its value in use.

**c INVENTORIES**

Inventories other than finished goods are valued at cost. Costs include expenses incurred in bringing the inventories upto the present location and condition and is net of modvat. Finished goods are valued at lower of cost and net realisable value.

**d INVESTMENTS**

Investments are meant to be long term investments and are stated at cost. Diminution in the value of investments other than temporary in nature are provided for.

**e FOREIGN CURRENCY TRANSACTION**

Transactions in foreign currency are accounted at exchange rate prevailing on the date of transactions. Exchange gains/losses are recognised in the Profit and Loss Account except in respect of liabilities incurred for acquisition of Fixed asset.

**f RETIREMENT BENEFITS**

- (i) Future liability towards gratuity to employees is determined on the basis of actuarial valuation as at the year end and funded through separate trust. Contributions to Provident Fund and F.P.F. being fixed contributions are absorbed in the accounts.
- (ii) Voluntary Retirement lumpsum compensation paid to workmen are written off over a period of five years commencing from the year in which the said payment was made to the workmen, since the benefits of such payment accrue over a period of five years.

**g DEFERRED TAX**

Deferred tax will be considered at the end of the financial year.

Notes on Accounts

Particulars		Year Ending March 31,					30/06/2006 (Three Months)
		2002	2003	2004	2005	2006	
2.1	Number of Employees who are in receipt or entitled to receive emoluments amounting in aggregate Rs.1,00,000/- or more per month	Nil	Nil	Nil	Nil	Nil	Nil
2.2	<b>Contingent Liabilities</b>						
	a. Claims, Excise and Customs duty, Taxes and Other matter - not acknowledged by the Company						
	a. Bills Discounted with Banks	0	0	0	0	0	0
	b. Guarantees by bank	58.21	44.10	44.10	44.10	44.10	44.10
	c. Claim under dispute	17.42	17.42	17.42	0	0	0
	d. Lease Rentals payable	42.87	21.90	0	0	0	0
	b. Customs authority has confirmed import duty in respect of Wheat Imported. The company has disputed the said demands and has filed appeal to the Appellate Authority	19.47	19.47	19.47	19.47	19.47	19.47
2.3	Income tax assessment pending for assessment years	2000-2001 and 2001-2002	2000-2001 to 2003-2004	2002-2003 to 2004-2005	2003-2004 to 2004-2005	2003-2004 to 2005-2006	2003-2004 to 2005-2006
	Appeals are pending from	1990-1991 to 1999-2000	1990-1991 to 1999-2000	1990-1991 to 1999-2000	1990-1991 to 1999-2000	NIL	NIL
2.4	Stay Order obtained for electricity tax and generation tax but provided for in the accounts	0	23.57	34.07	78.58	116.02	65.83
2.5	Remuneration to Whole time Directors and fees						
	a. Salary, allowances and Commission	16.61	19.52	22.02	24.24	32.22	7.65
	b. Sitting Fees	0.20	0.25	0.10	0.81	0.94	0.16
	c. Medical, Insurance and Other benefits	2.70	3.39	4.58	5.75	4.79	0.38
2.6	Expenditure in Foreign Currency						
	a. Foreign Travel	9.94	3.15	3.10	2.18	2.09	0.40
	b. Selling Commission	0	0	1.73	0	0.30	0
	c. Others	0.42	0	0	0	0	0
2.7	Value of Imports on CIF basis						
	a. Raw Materials	542.54	0	182.00	191.25	0	0
	b. Spares	0	1.08	1.54	3.91	8.39	4.51
	c. Machineries	0	0	11.48	0	174.59	0
	d. Trading Goods			10.16	21.09	5.07	0
2.8	Earnings in Foreign Exchange						
	a. Export of Goods on FOB basis	187.43	86.38	183.38	143.95	126.50	65.89
	b. Commission Received	0	1.12	0.88	10.18	4.13	0
2.9	Value of Raw Materials Consumed						
	a. Wheat - Indigenous	3186.02	3612.33	4032.78	4084.74	3998.49	1256.33
	- Imported	0	0	0	0	0	0
	b. Cotton - Indigenous	1382.05	1467.65	2382.00	2607.34	2445.51	654.85
	- Imported	701.05	0	182.00	191.25	111.34	42.23
	c. Iron Materials - Indigenous	2.95	3.25	5.86	0.47	0.03	0
	- Imported	0	0	0	0	0	0

**KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED**

(Rs. in lacs)

	Particulars	Year Ending March 31,					30/06/2006 (Three Months)
		2002	2003	2004	2005	2006	
2.10	Audit Fees and Expenses						
	a. Statutory Audit Fees	0.80	0.80	0.88	0.88	1.10	0.28
	b. Statutory Cost Audit Fees	0.19	0.19	0.19	0.19	0.22	0.03
	c. Fees for other services and expenses	0.28	0.20	0.18	0.19	0.43	0.10
	d. Internal Audit Fees	0.85	0.85	0.85	0.85	1.19	0.30
	e. Branch Audit Fees	0.16	0.16	0.18	0.20	0.22	0.26
2.11	Licenced & Installed Capacity						
	a. Flour Mill Division - Installed M.T	42000	42000	60000	60000	60000	60000
	b. Textile Division - Installed Spindles	29520	29520	29520	29520	29520	29520
	- Installed Rotors	1176	1176	1176	1344	1344	1344
2.12	Actual Production meant for Sale						
	a. Wheat Milled M.T.	46449	47353	45258	45233	42190	11990
	Products Obtained M.T	46057	46808	44648	44692	41658	11883
	b. Sheets Consumed Kgs	9366	0	0	0	0	0
	Components Obtained Nos	1204	0	0	0	0	0
	Machines Produced Nos	7	0	0	0	0	0
	c. Cotton Consumed Kgs	4123212	3624803	4516584	6007618	6216994	1569358
	Products Obtained Kgs	3322083	2886919	3547440	4838593	4816383	1231480
2.13	Opening and closing stock of finished goods						
	(a) Wheat Products						
	Opening Stock M.T	562	711	647	707	823	733
	Closing Stock M.T	711	647	707	823	733	955
	(b) Trading goods						
	Opening Stock Nos	5	0	0	4	3	9
	Closing Stock Nos	0	0	4	3	9	9
	(c) Cotton yarn						
	Opening Stock Kgs.	250085	289156	216686	183239	161368	244303
	Closing Stock Kgs.	289156	216686	183239	161368	244303	178682
2.14	VRS regarding Sheet Metal & Textile						
	Total amount paid/ Payable	40.01	463.56	397.51	315.31	218.71	122.12
	Amount written off this year	8.00	66.05	94.19	96.59	96.59	22.15
	Balance Shown as Deferred Revenue Expenditure	32.01	397.51	303.32	218.72	122.12	99.97

**Segment Reporting**

	Information about primary segment/ business segment for 2002	NAME OF THE SEGMENTS		
		Foods Division	Textile Division	Total
1	Revenue	3945.83	3441.12	7386.95
2	Segment Results - Operating Profit	150.51	292.31	442.82
	Less : Interest (Net)	52.86	224.50	277.36
	Segment Depreciation	18.73	197.53	216.26
	Add : Other unallocable income net of unallocable expenditure	—	—	35.29
	Net Profit before Tax	78.92	-129.72	-86.09
3	Capital Employed (Segment Assets - Segment Liabilities)	936.90	2440.00	3376.90
	Unallocable corporate assets less corporate liabilities	—	87.91	—
	Total Capital Employed	936.90	2440.00	3288.99

(Rs. in lacs)

	Information about primary segment/ business segment for 2003	NAME OF THE SEGMENTS		
		Foods Division	Textile Division	Total
1	Revenue	4,317.29	3,044.52	7,361.81
2	Segment Results - Operating Profit	132.38	418.69	551.07
	Less : Interest (Net)	69.11	229.11	298.22
	Segment Depreciation	20.18	179.39	199.57
	Add : Other unallocable income net of unallocable expenditure	—	—	145.43
	Net Profit before Tax	43.09	10.19	198.71
3	Capital Employed (Segment Assets - Segment Liabilities)	930.58	2825.18	3,755.76
	Unallocable corporate assets less corporate liabilities	—	82.62	—
	Total Capital Employed	930.58	2825.18	3,838.38

(Rs. in lacs)

	Information about primary segment/ business segment for 2004	NAME OF THE SEGMENTS		
		Foods Division	Textile Division	Total
1	Revenue	4,706.84	4,477.47	9,184.31
2	Segment Results - Operating Profit	135.00	499.79	634.79
	Less : Interest (Net)	71.01	226.90	297.91
	Segment Depreciation	19.54	189.94	209.48
	Add : Other unallocable income net of unallocable expenditure	—	—	0.00
	Net Profit before Tax	44.45	82.95	127.40
3	Capital Employed (Segment Assets - Segment Liabilities)	875.06	2585.72	3,460.78
	Unallocable corporate assets less corporate liabilities	—	—	49.68
	Total Capital Employed	875.06	2585.72	3,510.46



(Rs. in lacs)

	Information about primary segment/ business segment for 2005	NAME OF THE SEGMENTS		
		Foods Division	Textile Division	Total
1	Revenue	4,780.82	4,857.75	9,638.57
2	Segment Results - Operating Profit	167.86	556.89	724.75
	Less : Interest (Net)	84.92	190.19	275.11
	Segment Depreciation	24.10	172.93	197.03
	Add : Other unallocable income net of unallocable expenditure	—	0.00	—
	Net Profit before Tax	58.84	193.77	252.61
3	Capital Employed (Segment Assets - Segment Liabilities)	1,039.27	3,216.38	4,255.65
	Unallocable corporate assets less corporate liabilities	—	71.42	—
	Total Capital Employed	1,039.27	3,216.38	4,327.07

(Rs. in lacs)

	Information about primary segment/ business segment for 2006	NAME OF THE SEGMENTS		
		Foods Division	Textile Division	Total
1	Revenue	4751.26	4531.51	9282.77
2	Segment Results - Operating Profit	221.48	708.82	930.30
	Less : Interest (Net)	81.06	243.21	324.27
	Segment Depreciation	21.26	239.26	260.52
	Add : Other unallocable income net of unallocable expenditure	—	0.00	—
	Net Profit before Tax	119.16	226.35	345.51
3	Capital Employed (Segment Assets - Segment Liabilities)	1443.34	4709.87	6153.21
	Unallocable corporate assets less corporate liabilities	—	477.56	—
	Total Capital Employed	1443.34	4709.87	6630.77

## CASH FLOW STATEMENT

(Rs. in lacs)

		For the year ending March 31,				
PARTICULARS		2002	2003	2004	2005	2006
A.	CASH FLOW FROM OPERATING ACTIVITIES					
	Net Profit before Tax and Extraordinary Items	-86.09	119.34	221.59	349.21	442.11
	Adjustments for					
	Depreciation	216.27	199.58	209.48	197.03	260.52
	Foreign Exchange	0	0	0	0	0
	Investments	-1.80	4.45	1.06	-4.44	-1.52
	Dividend	-0.20	-0.28	-0.02	-0.05	-0.03
	Interest Paid (Net)	277.36	298.22	297.91	275.11	324.27
	Finance Lease Paid	41.88	20.98	20.98	0	0
	Operating Profit before Working Capital Changes	447.42	642.29	751.00	816.86	1025.35
	Adjustments for					
	Trade and other Receivables	-17.35	233.87	95.34	-222.71	-782.54
	Inventories	641.52	-610.38	-351.22	-247.54	10.95
	Trade payables	-141.62	213.39	308.66	108.64	-255.35
	Cash generated from operations	929.97	479.17	803.78	455.25	-1.59
	Interest Paid (Net)	277.36	298.22	297.91	275.11	324.27
	Direct Taxes Paid	0	4.20	9.79	19.81	33.10
	Cash flow from extraordinary items	652.61	176.75	496.08	160.33	-358.96
	Extraordinary items	-31.64	-66.05	-94.19	-96.59	-96.59
	Net Cash from Operating Activities	620.97	110.70	401.89	63.74	-455.55
B.	CASH FLOW FROM INVESTING ACTIVITIES					
	Purchase of Fixed Assets	-682.91	-55.25	-82.40	-694.99	-1611.81
	Sale of Fixed Assets	3.51	7.97	24.75	12.55	0.33
	Acquisitions of Companies	0	0	0	0	0
	Purchase of Investments	0	-0.70	8.48	4.14	6.47
	Sale of Investments	0	-365.50	94.19	84.59	96.60
	Dividend Received	0.20	0.28	0.02	0.05	0.03
	Net cash used in investing activities	-679.20	-413.20	45.04	-593.66	-1508.38
C.	CASH FLOW FROM FINANCING ACTIVITIES					
	Proceeds from issue of Share Capital	0	0	0	0	89.45
	Proceeds from long term borrowings (Net)	272.90	-228.03	-205.25	551.76	1178.53
	Unsecured loans and deposits	5.09	342.36	-158.35	-51.87	533.69
	Working capital borrowings	-209.45	233.68	-3.09	58.26	254.40
	Repayment of finance lease liabilities	-41.88	-20.98	-20.98	0	0
	Dividend and tax paid	-20.92	-23.53	-23.61	-35.49	-54.75
	Net increase in Cash and cash equivalents (a+b+c)	-52.49	1.00	35.65	-7.26	37.39
	Cash and cash equivalents at the beginning of the year	119.63	67.14	68.14	103.79	96.53
	Cash and cash equivalents at the close of the year	67.14	68.14	103.79	96.53	133.92

## STATEMENT OF DIVIDEND PAID FOR THE LAST FIVE YEARS

Particulars	For the year ending March 31,					Three Months Ended 30/06/2006
	2002	2003	2004	2005	2006	
No. of Equity Shares of Rs.10/- each	24,01,046	24,01,046	24,01,046	24,01,046	24,01,046	24,01,046
Rate %	10%	10%	10%	15%	20%	0
Amount of Dividend (Rs. In Lacs)	20.92	20.92	20.92	31.39	48.02	0.00
Dividend Tax (Rs. In Lacs)	0	2.62	2.68	4.10	6.73	0
Total Pay out (Rs. In Lacs)	20.92	23.54	23.60	35.49	54.75	0.00

## ANNEXURE VIII

## STATEMENT OF ACCOUNTING RATIOS

Particulars	For the year ending March 31,					Three Months Ended 30/06/2006
	2002	2003	2004	2005	2006	
Earning per share (EPS) in Rs.						
Net Profit After Tax / Share capital	-2.60	7.78	4.42	8.69	12.94	3.51
Net Asset Value NAV (Rs.per share)						
Shareholders Fund / Share Capital	57.27	63.93	58.83	65.82	71.75	75.26
Return on Net Worth %						
Net profit after tax / Shareholders Fund	-4.54	12.18	7.51	13.20	18.04	4.66
Return on Capital %						
Net Profit before tax / Total Capital employed	-2.46	1.34	3.57	5.85	5.21	1.34

A.	Transaction Between Promoters and the Associates of Promoters for the period upto to 30/06/2006 (Rs. Lakhs)	9.32
B.	Closing Balances of unsecured loans from Promoters and Associate promoters for the period upto 30/06/2006 (Rs. Lakhs)	26.02

## CAPITALISATION STATEMENT

(Rs. in lacs)

Particulars	Pre issue 31/03/2006	Pre issue 30/06/2006	Post issue
Short term debts	2429.45	2866.26	2866.26
Long term debts	2374.70	2318.50	2318.50
Total debts	4804.15	5184.76	5184.76
Shareholders Fund			
a. Equity Shares capital	240.10	240.10	500.10
b. Reserves & Surplus (including premium)	1482.75	1566.97	2736.97
Total shareholders Fund	1722.85	1807.07	3237.07
Long term Debt / Equity (times)	1.38	1.28	0.72

Note : On the assumption of Issue of 26 lakhs equity shares of Rs.10/- each at a premium of Rs. 45/- per share

## ANNEXURE X

## TAX SHELTER STATEMENT

Previous year Assessment year	2001-2002 2002-2003	2002-2003 2003-2004	2003-2004 2004-2005	2004-2005 2005-2006	2005-2006 2006-2007
A. Tax at specified rate as applicable		7.50%	7.50%	7.50%	7.50%
B. Adjustments					
1. Difference between tax depreciation book depreciation Difference (Rs.)	74043655 21626547 52417108	10583008 19957513 -9374505	9137330 20947954 -11810624	36695317 19703360 16991957	102100498 26052237 76048261
2. Other adjustments (Rs.)	0	0	0	0	0
Total Adjustments (Rs.)	52417108	-9374505	-11810624	16991957	76048261
C. Tax Savings on Adjustments (Rs.)	20730966	-3363104	-4237061	6095865	25597845
D. Total taxation (Rs. in lacs)	0	4.20	9.79	19.81	29.07
E. Tax as per MAT	0	4.20	9.79	19.81	29.07
F. Tax provided in the books (Rs. in lacs)	0	4.20	9.79	19.81	29.07

## DETAILS OF OTHER INCOME

(Rs. In Lacs)

Particulars	For the year ending March 31,					Three Months Ended 30/06/2006
	2002	2003	2004	2005	2006	
Dividend Income	0.20	0.28	0.03	0.05	0.03	0
Miscellaneous Income	12.49	16.47	20.88	24.93	22.74	5.33
Profit on sale of Asset	1.80	0.61	2.07	4.72	1.69	0
<b>Total</b>	<b>14.49</b>	<b>17.36</b>	<b>22.98</b>	<b>29.70</b>	<b>24.46</b>	<b>5.33</b>

## ANNEXURE XII

## SUNDRY DEBTORS (UNSECURED)

(Rs. In Lacs)

Particulars	For the year ending March 31,					Three Months Ended 30/06/2006
	2002	2003	2004	2005	2006	
Over Six Months	7.70	6.95	9.02	2.12	26.69	26.60
Other Debts	745.06	598.13	583.22	681.94	712.48	824.23
<b>Total</b>	<b>752.76</b>	<b>605.08</b>	<b>592.24</b>	<b>684.06</b>	<b>739.17</b>	<b>850.83</b>

## ANNEXURE XIII

## LOANS AND ADVANCES

(Rs. In Lacs)

Particulars	For the year ending March 31,					Three Months Ended 30/06/2006
	2002	2003	2004	2005	2006	
Loans and Advances (Unsecured considered Good) Advances recoverable in cash or in kind or for value to be received	548.88	463.70	416.84	540.48	1305.30	1290.03

The beneficiaries of the loans and advances and sundry debtors of the Company are not related to the promoters/directors of the Company.

## STATEMENT OF UNSECURED LOANS (Rs. in Lacs)

(Rs. In Lacs)

Particulars	For the year ending March 31,					Three Months Ended 30/06/2006
	2002	2003	2004	2005	2006	
a. Fixed Deposits						
From Public	367.81	359.64	274.54	288.76	309.36	289.64
b. Other Loans						
From Directors	17.79	20.06	16.50	20.23	24.20	26.02
c. Other Loans					578.80	996.00
d. Security Deposit from Dealers	8.68	8.47	8.47	8.35	8.35	8.35
e. Deferred VRS Payment		348.47	278.77	209.08	139.39	69.69
<b>Total</b>	<b>394.28</b>	<b>736.64</b>	<b>578.28</b>	<b>526.42</b>	<b>1060.10</b>	<b>1389.70</b>

## Terms of Unsecured Loans:

- a) Fixed Deposit: We have been accepting fixed deposits since 1982, under provisions of Companies Act, 1956. The rate of interest payable on these fixed deposits is 9% for one year, 9.5% for two years and 10% for three years.
- b) Loans from Directors: These constitute fixed deposits from the directors of the Company. The terms and conditions are the same as applicable to the public.
- c) Other Loans: Other loans consist of short term loans from banks and corporates, details of which are as under:

Name of Lender	Amount of Loan (Rs. Lacs)	Rate of Interest (p.a.)	Repayment Schedule
Punjab National Bank	400.00	10.50%	On Demand
ICICI Bank Ltd.,	496.00	11.75%	On Demand
Jeyar Consultants & Investments P Ltd.,	100.00	15.00%	On Demand

- d) Security Deposit from Dealers: This is a normal business practice, wherein we require our dealers to maintain a certain margin with us as security deposit for the material supplied to them. We are paying 10% p.a. as interest on these deposits.
- e) Deferred VRS payment: We are paying interest @ 8.50% p.a. on this. The amount is payable on 30/06/2007.

## ANNEXURE XV

## STATEMENT OF SECURED LOANS

(Rs. In Lacs)

Particulars	For the year ending March 31,					Three Months Ended 30/06/2006
	2002	2003	2004	2005	2006	
a. Term loans from various Financial Institutions for acquisition of Fixed Assets	1077.69	849.68	644.42	1196.18	2374.70	2318.51
b. Working Capital Loans						
1. Canara Bank	699.25	762.41	756.05	728.16	951.43	1006.82
2. Indian Overseas Bank	126.84	297.35	300.64	386.78	417.92	469.73
<b>Total</b>	<b>1903.78</b>	<b>1909.44</b>	<b>1701.11</b>	<b>2311.12</b>	<b>3744.05</b>	<b>3795.06</b>

**Related Party Disclosure / Transactions with directors interested concern**

The following are the transactions with related parties in terms of AS 18 issued by the Institute of Chartered Accountants of India. Reimbursement of expenses has not been treated as related party transactions.

(Rs. In Lacs)

	Particulars	For the year ending March 31,					Three Months Ended 30/06/2006
		2002	2003	2004	2005	2006	
1	The Lakshmi Textile Suppliers						
	Purchase of Electrical goods	6.38	5.79	6.06	6.38	10.17	1.27
2	Ellargi & Co						
	Purchase of Fuel	1.60	0.90	1.12	0.95	0.79	0.17
3	Prokop Eltex India (P) Ltd						
	Purchase of Flour Milling Machinerics and Spares	8.93	0.48	1.04	3.09	0.22	0
	Rent Received	3.00	3.00	3.00	3.00	3.00	0.75
4	Super Springs (P) Ltd						
	Purchase of power and Sheet Metal Fabrications	17.69	0	0	0	0	0
5	Cape Flour Mills (P) Ltd						
	Purchase of Power and	72.58	57.11	76.17	60.89	54.17	5.12
	Rent Received	18.00	18.00	18.00	6.87	6.87	1.71
	Service - Trade Mark Permission		0.90	1.20	1.20	1.20	0.30
6	Eltex Super Castings Ltd						
	Sale of Sheet Metal Components, Scrap and Waste Cotton	1.45	0	0	0	0	0

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion of our financial condition and results of operations together with our financial statements, as restated, for each of the fiscal years ended March 31, 2003, 2004, 2005 and 2006 and the period ended 30/06/2006, including the notes thereto and the reports, schedules and annexures thereon, which appear in the Auditor's Report included elsewhere in this Prospectus. These financial statements are prepared in accordance with Indian GAAP and the Companies Act and are restated in accordance with SEBI Guidelines. Financial information relating to the three months ended June 30, 2006 included in this Prospectus have been derived from the audited financial statements for such period, prepared in accordance with Indian GAAP as set forth in a report of the Auditors which has not been included herein.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year (e.g., fiscal 2006) are to the twelve-month period ended March 31 of that year. Our financial statements in this Prospectus are presented on an unconsolidated basis.

**Comparison of significant items of income and expenditure of KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LTD. for the past three years is as follows:**

(Rs. in lacs)

<b>Year ended March 31,</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Income</b>				
Sales and charges	7,361.81	9,184.31	9,638.57	9,282.77
Other Income	17.36	22.98	29.70	24.46
Increase / Decrease in Finished Goods Stock	4.07	41.31	-103.26	76.34
<b>Total</b>	<b>7,383.25</b>	<b>9,248.60</b>	<b>9,565.01</b>	<b>9,383.57</b>
<b>Expenditure</b>				
Raw material consumed	5,118.15	6,666.52	6,907.43	6,564.97
Staff Costs	311.89	263.81	282.93	382.60
Depreciation	199.58	209.48	197.03	260.52
Other expenses	1,098.52	1,317.88	1,260.41	1,124.47
Administration Expenses	88.83	80.42	114.03	121.39
Selling and Distribution Expenses	148.72	190.99	178.85	163.24
<b>Interest</b>	<b>298.22</b>	<b>297.91</b>	<b>275.11</b>	<b>324.27</b>
<b>Total</b>	<b>7,263.90</b>	<b>9,027.01</b>	<b>9,215.80</b>	<b>8,941.46</b>
<b>Net profit before tax and Extraordinary Items</b>	<b>119.34</b>	<b>221.59</b>	<b>349.21</b>	<b>442.11</b>
<b>Net Profit after tax and Extra-ordinary Items</b>	<b>162.89</b>	<b>92.41</b>	<b>181.80</b>	<b>310.77</b>

**COMPARISON OF FY 2004 WITH FY 2003 - REASON FOR VARIANCE****Income**

During the F.Y. 2002-2003, we utilized part of our production facilities in the flour and textiles divisions for job-work orders procured from the market. In subsequent years, we utilized the entire capacity for our own production needs and did not procure any job-work orders. Thus the income in FY 2003-2004 registers a significant growth over FY 2002-2003.



**Net Profit**

We had made a provision for deferred tax asset of Rs. 113.78 lacs during FY 2002-2003. During FY 2003-2004, we have made a provision for deferred tax liability of Rs. 25.20 lacs. This has contributed to the decline in the Profit After Tax for FY 2003-2004.

**COMPARISON OF FY 2005 WITH FY 2004 - REASON FOR VARIANCE**

**Net Profit**

The average price of extra long staple [ELS] cotton increased substantially from April 2004 to March 2005. From an average price of Rs. 30,000 /- per candy (approximately 355.56 kg) to over Rs. 40,000/- per candy. We had procured our entire year's requirement of ELS cotton in the beginning of the year itself, when it was at its lowest. As prices increased, the value of our cotton stock as well as that of the finished yarn increased. This led to a much higher contribution to our net profit with only a marginal increase in raw material costs. Thus the Net Profit After Tax for FY 2004-2005 is much higher than that for FY 2003-2004.

**COMPARISON OF FY 2006 WITH FY 2005 - REASON FOR VARIANCE**

**Improvements and Augmentations**

We had made an investment of Rs. 110.00 lacs during FY 2006 to improve the infrastructure for storage and handling of wheat and to improve product quality. We also invested Rs. 275.00 lacs towards augmenting spinning productivity and achieving optimum balance with flexibility in processing capacities in the various critical sections of the spinning plant. An additional generation capacity of 2.50 MW for captive consumption at a cost of Rs. 1,229.77 lacs in the form of installation of two wind mills of 1.25 MW each has been implemented.

**Net Profit**

We made a net profit before tax of Rs. 345.51 lacs after charging Rs. 96.59 lacs as Voluntary Retirement Scheme Compensation and terminal benefits to employees, primarily for our textile division.

We are a listed company and are required to publish un-audited financial results in terms of the listing agreement. Accordingly, we have published un-audited financial results for six months ended 30/09/2006. As per these results, our net income is Rs. 55.70 crores and profit after tax is Rs. 1.89 crores.

**Information required as per clause 6.10.5.5(a) of the SEBI Guidelines**

**1] Unusual or infrequent events or transactions**

We had made a public announcement regarding the open offer for the acquisition of 20% of the public shareholding of Eltex Super Castings Ltd. on 02/12/2005 pursuant to Regulation 10 read with Regulation 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 [SEBI (SAST) Regulations, 1997] & subsequent amendments thereto. Subsequently we have completed the open offer formalities and dispatch of consideration to the shareholders of Eltex on 18/08/2006. On completion of the said open offer, we now hold 65.44% of the equity shares of Eltex, thereby making it our subsidiary.

**2] Significant economic changes that materially affected or are likely to affect income from continuing operations**

There are no significant economic changes that materially affected or are likely to affect income from continuing operations. Our primary products are wheat flour and cotton yarn. Both of these products are utilized by consumer industries for further processing into finished goods such as bread, rotis, pizzas, etc. with wheat and cotton garments with cotton yarn. Food and clothing being essential goods which are utilized by every human being, the demand for our products are not affected by changes in economic cycles. We witness a consistent demand for both of our key products throughout the year and through all economic cycles.

**3] Known trends and uncertainties**

Apart from the risks disclosed in this Prospectus, there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.

**4] Future relationship between costs and revenue**

The establishment of the two new windmills has enabled us to achieve significant cost savings on our current power purchase costs from the Tamil Nadu Electricity Board. This will have a positive effect on our net income over the expected lifetime of the windmills.

**5] Availability of Raw Materials**

The primary raw materials used for our operations are wheat and bales of cotton. We procure wheat from brokers located in Rajasthan, Madhya Pradesh and Uttar Pradesh. Wheat is a seasonal product and is generally accumulated during the harvest season and is released steadily during the year. Any unnatural occurrences in the farm areas such as droughts, higher than normal rainfall, natural disasters, or pest infestations can lead to a fall in the yields of wheat thereby affecting regular supply of wheat in the market. This could cause a shortage of wheat in the domestic market, leading to higher prices thereby affecting our profitability. Additionally, delay in transportation of the wheat between the place of purchase to our facility could affect the operating cycle of our flour mill, thereby adversely affecting our delivery schedules and turnover.

Similarly, we procure cotton from brokers in Gujarat, Madhya Pradesh, Karnataka and Andhra Pradesh. Similar events as mentioned above can adversely affect the procurement cycles of cotton causing an adverse impact on our operational efficiency.

**6] Dependence on single or few suppliers/customers**

The Company's turnover is not dependent on single or few customers or suppliers. KLRM markets wheat flour through a wide network of dealers throughout the states of Tamil Nadu and Kerala. We have also consciously broadened our supplier base by procuring wheat from three different states. Similarly, for cotton, we have also capitalized on our market standing and reputation built up over the years to secure commitments from a large number of suppliers based across four states to ensure a regular supply of cotton at our premises. We market the cotton yarn produced by our textile units to a large number of yarn merchants in Maharashtra and Tamil Nadu with approximately 10% of our output being exported to Far East countries like Malaysia, Singapore and Korea.

**7] Competitive conditions**

The industry segments in which we operate are conventional agro-based industries which are some of the oldest industries in India due to the essential nature of their end products. We compete with several entrenched, old players in both the cotton yarn and wheat flour segments. Due to the small radius of the addressable market for wheat flour, we serve only the southern and central districts of Tamil Nadu and Kerala. Similarly, we compete with cotton yarn suppliers from traditional strongholds such as Gujarat and Maharashtra as well as a large number of players from Tamil Nadu for the same addressable market.

**8] Seasonality of business**

None of our products sold are seasonal in nature.

## SECTION VI: LEGAL AND REGULATORY INFORMATION

## OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

There are no outstanding litigations against our Company, our Subsidiary, our Directors, our Promoters and our Promoter group or any disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by our Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act) against our Company, our Subsidiary, our Directors and our Promoters, except the following:

## Outstanding litigation against the Company

## A. Shareholders' Cases

Sr. No	Case No.	Grounds	Claims	Present status of the case
1	OS/1990/96 Mr. Shreyan Kumar Shah filed suit against: 1. Mr.Vijay Shah, and 2. Kovilpatti Lakshmi Roller Flour Mills Ltd., and others before City Civil Court, Bangalore	Mr. Shreyan Kumar Shah had sold 150 shares to Mr. Vijay Shah. Transfer deed duly executed by the Transferor's Mr. Shreyan Kumar Shah. Consideration for the aforesaid transaction has not been received by the transferor. The said shares are transferred in the name of the transferee after compliance of various provisions of the Companies Act, 1956.	Rs. 5,550/-	Pending before the City Civil Court, Bangalore under trials
2	CS.No.617/1992 Mr. S. Muthukar filed suit against 1. Kovilpatti Lakshmi Roller Flour Mills Ltd., 2. Mrs.P.Theivanayaki and 3. M/s Ramanathan & Co., before Madras High Court Chennai	Mr. S. Muthukumar bought 200 shares of Kovilpatti. The said share certificates alongwith blank transfer deeds were misplaced. Hence, he has approached High Court for restraining transfer and remedy. The aforesaid shares are not yet transferred till date because of non receipt of valid transfer deed.	Rs.1,00,000/-	Pending before the High Court, Chennai
3	CS.No.618/1992 Mr. S. Ramakrishnan filed suit against 1. Kovilpatti Lakshmi Roller Flour Mills Ltd., 2. Mr.B.K.Somasekar 3. Mr.KTE.Thomas 4. Mr.Meyyappan 5. Mrs.Latha Maheswari 6. Mr.Harish Kumar 7. M/s Ramanathan & Co., before Madras High Court Chennai	Mr. S. Ramakrishnan bought 300 shares of Kovilpatti. The said share certificates along with blank transfer deeds were misplaced. Hence, he has approached High Court for restraining transfer and remedy. The aforesaid shares are not yet transferred till date because of non receipt of valid transfer deed.	Rs.1,50,000/-	Pending before the High Court, Chennai

**B. Cases involving Government Authorities filed against the Company and by the Company**

Sr. No	Case No.	Grounds	Claims	Present status of the case
1	ITA 436 of 2001 ITA 1376 of 2002 ITA 54 of 2000 ITA 1604, 1605, 1606 of 2003 before Income Tax Appellate Tribunal, Chennai	Replacement of machineries and 80 HHC claim for the assessment year 1994 – 1995 to 1999-2000 Assessment year 1997 – 1998 to 1999 – 2000 Assessment year 1994 – 1995 to 1995 - 1996	Rs. 2,87,698/-	ITAT order received Appeal set aside by the Tribunal and the claims of the assessee allowed
2	Case No. WP.34214/2003 WA.489/2004 WP 26234/2004 Case filed against Tamil Nadu Electricity Board before Madras High Court, Chennai	Electricity tax and generation tax for the period from 2003 to 30/06/2006	Rs. 65,82,949/-	Awaiting the order from TNEB
3	Case No.3768/2004 against the Company by Deputy Commissioner of Sales Tax before Madurai Bench of Madras High Court	Submission of Form-C for the assessment year 1993-1994	NA	Awaiting Court order
4	Case No.3/2000 against Custom Authority before Madras High Court Chennai	Dispute against payment of custom duty for purchase of wheat	Rs. 19,47,408/-	Company has paid custom duty and filed suit against custom authority. Awaiting court order
5	Letter No. O.C.NO.2152/2005 dated 24/10/2005 Notice received from Superintendent of Central Excise, Sankar Nagar Range	Service tax on Custom Milling charges for Rs.1,06,90,023/- and service tax on Rs.200,000/- collected from M/s Cape Flour Mills Private Limited for use of trade mark.	Rs. 1,33,520/- alongwith interest	Reply letter sent to Authority on 6/12/2005 for custom milling tax Trade mark user service tax paid
6	Letter No. S7-32671-11 dated 8/12/2005 received from Inspector/ Inspecting Officer of ESI Corporation, Madurai	ESI on wages for the period 01/11/2004 to 31/03/2005	Rs. 45,105/-	Paid on 30/12/2005

**C. Labour Cases against the Company**

Sr. No	Case No.	Grounds	Claims	Present status of the case
1	D 23/2003 filed by Mr. R. Natarajan Mixing Contract Worker against the Company before Labour Court, Tirunelveli	Non – employment case, after VRS, filed petition for reinstatement and back wages	Award only ascertained	Enquiry
2	ID 24/2003 filed by Mr. K. Sankarapandi Mixing Contract Worker against the Company before Labour Court, Tirunelveli	Non – employment case, after VRS, filed petition for reinstatement and back wages	Award only ascertained	Enquiry
3	ID 22/2003 filed by Mr. E. Ganapathy Mixing Contract Worker against the Company before Labour Court, Tirunelveli	Non – employment case, after VRS, filed petition for reinstatement and back wages	Award only ascertained	Enquiry
4	ID 1/2002 and ID 3/2003 general application filed against the Company before Special Industrial Tribunal Chennai	General – Textile wage dispute	Award only ascertained	Enquiry
5	WC 58/2004 filed by Mrs. A. Gnanasundari Clg. Contract worker before Deputy Commissioner of Labour Tirunelveli	Accident case Claim for compensation	Rs. 3,00,000/-	Award Rs. 26,079/- settled on 22/03/2006
6	WC 95/2004 filed by Mr. Ayyadhurai permanent worker before Deputy Commissioner of Labour, Tirunelveli	Accident case Claim for compensation	Rs. 3,00,000/-	Award Rs. 59,864/- settled on 22/03/2006

**D. Case filed against the Company for immovable properties**

Sr. No	Case No.	Grounds	Claims	Present status of the case
1	OS 4/2004 filed by Mr. Thiyagaraj and others against the company and others before The Court of District Muncief, Valliyoor	Case filed by the legal heirs of the vendor of the Wind Mill land situated at Pazhavor	NA	Enquiry
2	OS 80/2001 filed by Mrs. Essakiammal against the company before The Court of District Muncief, Valliyoor	Mrs. Essakiammal filed a suit to establish her title over the properties as mentioned in the schedules furnished by her alongwith case.  Our Wind Mill land situated at Pazahvoor survey numbers are not covered / listed in the said schedule	NA	Enquiry

**E. Notice received from Lawyers**

Sr. No	Notice Number / date	Grounds and Claims	Present status of the case
1	Notice dated 28/09/2005 received from Mr. C. Jawahar Ravindran B.L., Advocate, Madurai on behalf of his client M/s KRK Agencies, Madurai	Received notice dated 28/09/2005 from Mr. Jawahar Ravindran, B.L., Advocate Madurai on behalf of his client M/s KRK Agencies, Madurai claiming a sum of Rs.12,21,743 as balance payment from the company against their supply of cotton waste.	Reply sent by the Company's Advocate, Mr. N. V. Nagasubramaniam B.Sc., B.L., Coimabtoe to Mr. C. Jawahar Ravindran B.L., Advocate for his notice on behalf of client KRK Agencies, Madurai that the Company is not liable to pay any amount to M/s KRK Agencies. Company has raised a claim of Rs. 85,58,555/- against the quality and shortage from KRK Agencies and M/s KRK Agencies owes to the Company a sum of Rs. 77,85,093/-

**F. Cases filed by the Company for collection of dues from the Debtors**

Sr. No	Case No.	Grounds	Claims	Present status of the case
1	Case No. OS 128/2003 against Puthanplackal Traders, Kangirapalli before District Civil Court Tirunelveli	Suit filed for collection of dues from Puthanplackal Traders	Rs. 33,705/-	Court decreed in favour. Party shifted from the town
2	Case No. OS 220/1995 against J. G. Rajendran Tirunelveli before District Civil Court, Tirunelveli	Suit filed for collection of dues from J. G. Rajendran	Rs. 42,493/-	Received Rs.15000/- upto 11/09/2006
3	Case against Sri Thirumal Agencies, Vandiperiyar before District Civil Court, Tirunelveli	Suit filed for collection of dues from Sri Thirumal Agencies	Rs. 19,530/-	District Court decreed in our favour. Stayed in High Court bench at Madurai.
4	Case No. COP 5231/2004 against Accord Exports, Tirupur before High Court Madras	Suit filed for collection of dues from Accord Exports	Rs. 21,63,720/-	Steps being taken for further appeal before Supreme Court
5	Case No. STC 3868/1995 against J. S. Traders, Tirupur before Judicial Magistrate No.3 Coimbatore	Suit filed for collection of dues from J. S. Traders	Rs. 4,00,000/-	Under trails with Court. Arrest warrant served for searching the party
6	Case No. OS 137/2002 against The Kanagalakshmi Mills Private Ltd., before District Muncief court, Coimbatore	Suit filed for collection of dues from The Kanagalakshmi Mills P Ltd.,	Rs. 17,112/-	Decreed in our favour. Enforcement of claim is pending
7	Case No. OS 26/2004 against Vigneswara Terry Mills, Erode before District Munsif Court, Sattur	Vigneswara Terry Mills	Rs. 28,376/-	Obtained order in our favour at District Muncief Court, Sattur. Transfer order received to Erode Court for further action

**PENDING LITIGATIONS AGAINST ELTEX SUPER CASTINGS LIMITED.**

**A. Labour Disputes**

Pending before the Labour Court, Coimbatore

S.NO	CATEGORY OF WORKMEN	CASE PARTICULARS	REMARKS
1 a)	Temporary Workmen - 5 persons Belong to Desiya Podhu Thozhilar Sangam	ID 335 / 2003	Pending before labour court

**B. Statutory Dues**

S.NO	DESCRIPTION	AMOUNT (Rs.)	REMARKS
1	Eltex Super Castings Employees Co-op Thrift and Credit Society	21,16,296/-	We have requested the authorities to waive the interest.As per the previous statement due is Rs.21,64,270 out of which we have paid Rs.47,974 on 26/05/2006.
2	Provident Fund - Employer's contribution (Oct 2000-June 2002)	54,50,174/-	Interest and damages as on date will be known only after the payment of contribution dues by the management. We shall make our best efforts to waive the damage and interest under the guidance of concerned deparment executives. As per the previous statement due is Rs.58,47,266 payable towards PF,out of which we have paid Rs.3,97,092 on 14/07/2006. As per the previous statement due is Rs.25,33,266 payable towards ESI, out of which we have paid Rs.89,768 on 30/03/2006 and Rs.80,830 on 25/05/2006.
3	<b>Employees State Insurance Corpn</b> a. Employee's Contribution (Oct99-June 02) b. Employer's contribution (Nov 98-June 02) c. Employer's contribution on omitted wages	23,62,668/-	
4	Dhanalakshmi Bank Ltd	1,91,075/-	As per their demand dated 20/06/01 Rs.2,62,650
5	Gudalore town Panchayat Property Tax a. Assessment no: 3309 b. Assessment no: 3338	4,83,400/-	As per their notice dated 15/12/05 payable is Rs.4,83,400 out of which we have paid Rs.49,740 on 26/05/2006.
6	P.N.P.Primary Co-op Bank-No: K 2049	3,08,145/-	As per their demand Notice dated 30/07/05 payable is Rs.3,58,145 out of which we have paid Rs.50000 on 26/05/2006.
	<b>TOTAL</b>	1,09,11,758/-	

**C. Central Excise**

ACCOUNTING YEAR	DEMAND / NOTICE FROM WHICH AUTHORITIES	GROUNDS OF REQUESTS	AMOUNT OF DEMAND (Rs.)	APPEAL DETAILS	CURRENT STATUS
2002 - 03	Office of the Commissioner of Central Excise Coimbatore Order in Appeal No: 29 / 2005 CE Dt. 07/02/05	Interest & Penalty for belated payment of Excise Duty	1,89,919/-	Appeal made to , Customs, Excise and Service Tax, Appellate Tribunal, Chennai for cancellation of Differential interest	Final Order No: 477 / 2006 dt. 02/06/06 received from Customs, Excise and Service Tax Appellate Tribunal, Chennai directing to pay interest at the rate of 24% per annum only and the earlier demand of Rs.1,000/- per day is set aside and the original authority is directed to raise fresh demand of interest in terms of Rule 8 (3) as sustained by the High Court. The penalty imposed is also set aside. We have paid Rs.10,221 vide TR Challan No. 04 dated 10/08/2006
2001 - 02	Asst . Commissioner of Central Excise CBE I Division Order No: 09 / 2005 dt. 04/03/05	Non Amortisation of Pattern Cost	1,86,392/-	Appeal dt. 19/05/05 requesting to workout the duty based on no. of components produced.	Order No: 137 / 2005 Cex.Dt. 12/07/05 granting of waiver of predeposit of duty amount and quantify the duty amount based on no.of components despatched. We have replied vide our letter dated 26/07/06 the details regarding no.of components despatched and duty involved to The Superintendent of Central Excise, Range I-E, Coimbatore - 20 as requested by their letter No: C.No: IV / 9 / 59 / 2004 - Cx.Adj. dt 14/07/06 and we replied vide our letter dated 26/07/2006
1998 - 99	Dpty. Commissioner of Central Excise, Cbe. SCN / V/ 16 / 153 / 2004 dt. 04/11/04	Service Tax for road carriers not collected and paid from 16/11/97 to 01/06/98	55,792/-	Appeals petition against the order in appeal No. 29 / 2005 - CE dated 07/02/2005 of Commissioner of Central Excise (Appeals) Coimbatore - 18	We have appealed to The Assistant Registrar, Customs, Excise and Service Tax Appellate Tribunal. South Zonal Bench, 1st Floor, Shastri Bhavan Building Annexe, 26, Haddows Road, Chennai - 06 during the month of Sep' 06.



## D. Sales Tax

ACC. YEAR	TAMIL NADU GENERAL SALES TAX					CENTRAL SALES TAX				
	DUE (Rs.)	PAID (Rs.)	STILL DUE (Rs.)	ASSESSMENT ORDER REF.DT	APPEALS, IF ANY, AGAINST THIS ORDER	DUE (Rs.)	PAID (Rs.)	STILL DUE (Rs.)	ASSESSMENT ORDER REF.DT	APPEALS, IF ANY, AGAINST THIS ORDER
2005-06	1,483	1,483	NIL	Book of accounts produced before the department on 19/09/2006.	NIL	NIL	NIL	NIL	HEARING NOT COMPLETED	NA
2004-05	2,72,176	2,72,176	NIL	16/01/06	NIL	NIL	NIL	NIL	16/01/06	NIL
2003-04	50,182	36,935	13,247	15/03/05	NIL	8,048	4,553	3,495	31/01/05	NIL
2002-03	7,27,584	7,28,725	-1,141	02/04/04	NIL	2,38,855	2,33,549	5,306	23/06/04	NIL
2001-02	37,67,917	37,73,742	-5,825	30/06/03	NIL	11,68,073	11,51,338	16,735	23/06/04	NIL
2000-01	38,78,999	38,78,999	NIL	31/08/04	NIL	10,93,190	10,91,001	2,189	17/12/04	NIL
1999-00	—	33,15,469	—	09/06/03	STAY OBTAINED FROM HON'BLE HIGH COURT CHENNAI DT08/10/04 oral information received from the Advocate that there is a direction to appeal with the sales tax department	—	13,07,234	—	09/06/03	STAY OBTAINED FROM HON'BLE HIGH COURT CHENNAI DT08/10/04
1998-99		19,42,036	—	03/06/03	STAY OBTAINED FROM HON'BLE HIGH COURT CHENNAI DT08/10/04 oral information received from the Advocate that there is a direction to appeal with the sales tax department	—	13,10,904	—	03/06/03	STAY OBTAINED FROM HON'BLE HIGH COURT CHENNAI DT08/10/04

**PENDING LITIGATIONS AGAINST CAPE FLOUR MILLS PRIVATE LIMITED, NAGERCOIL**

**A. With Income Tax Department:**

a) Assessment year	1995 - 96 (Financial year 94 - 95)
Nature of transaction	Sale and lease back of Textile Spindles amounting to Rs.19,00,800/-.
Case Details	DCIT/Madurai disallowed the Depreciation claimed on the above Rs.19,00,800/- and raised demand notice for difference IT while assessing our accounts for the Asst. Year 1995 - 96, which was appealed by us before CIT (A) Madurai, who allowed the appeal in our favour. But against the order of CIT(A), IT Department filed appeal with ITAT/Chennai which allowed the appeal in favor of IT Department vide order No. ITA No.395/Mds/99 dated 6/9/2005. Against the above order of ITAT, we filed appeal with the Madras High Court. In the meantime we received Demand Notice for Rs.31,20,992/- from Asst. Commissioner of IT, Tuticorin since our above case was disallowed by the ITAT, Chennai. We also filed appeal with CIT (appeals) Madurai I against the above Demand Notice of AC/Tuticorin.
b) Assessment Year	1996 - 97 (Financial Year 95 - 96)
Nature of Transaction	Wind Mill Capacity subsidy Rs.10,00,000/- received from the District Industries Centre / Konam (SIPCOT Subsidy under the scheme of the Govt. of Tamil Nadu)
Case Details	Subsidy received Rs.10,00,000/- was shown under the column Reserves & Surplus by us. While assessing our accounts for the Asst. Year 96 - 97, JCIT, Tirunelveli disallowed the above and deducted the above Subsidy from the cost of Wind Mill and raised demand notice for the difference IT on the excess depreciation claimed. We filed appeal with CIT(appeals) which was allowed in our favour. But department went on appeal with ITAT/Chennai. ITAT, Chennai vide its Order No. ITA No.1046/Mds/00 dated 6th September 2005 directed the IT Department to re-open the file and examine the exact Nature of the Subsidy. Hence the file is re-opened and the case is pending with ACIT/Tuticorin.

**B. With Tamil Nadu Electricity Board**

On account of stay obtained from the Honourable High Court of Madras the following levies not remitted to TNEB.

- 1) Electricity Tax on power charges Rs.3,17,291/- upto 31/03/2005 (upto 30/11/2005 Rs.4,88,546/-)
- 2) Peak Hour Charges (upto 31/03/2005) Rs.2,22,263/- (As on today the peak hour charges accrued is Rs.3,16,960/- and Belated payment Surcharge is Rs.48,940/-.)

**GOVERNMENT/STATUTORY AND BUSINESS APPROVALS**

In view of the approvals listed below, the Company can undertake this Issue and its current business activities. The Company has received the necessary consents, licenses, permissions and approvals from the Government and various Government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business except as mentioned below.

The Company has received the following significant Government approvals, licenses and permissions:

**A. Incorporation**

1. Certificate of Incorporation bearing No. 4674 of 1961 dated 16/12/1961 in the name of Kovilpatti Lakshmi Roller Flour Mills Private Limited issued by the Registrar of Companies, Tamil Nadu, Madras.
2. Amendment dated 08/05/1982 to the original Certificate of Incorporation bearing No. 4674 of 1961 dated 16/12/1961 in the name of Kovilpatti Lakshmi Roller Flour Mills Private Limited issued by the Registrar of Companies, Tamil Nadu, Madras, deleting the word "Private" in the name of the Company.

**B. Industrial/Labour/Tax/Reduction**

1. Permanent Account Number AAACK6029N issued by the Director of Income Tax (Systems).
2. Certificate bearing Registration No. 38/2005/GTO/SNR issued under Section 69 of the Finance Act, 1994 by the Central Excise Commissionerate, Tirunelveli for the payment of Service Tax on services of Goods Transport Agency, issued to the Company.
3. Licence No. L/27(4)(6)/61-Ch.II obtained from the Government of India, Ministry of Commerce & Industry, for establishment of industrial undertaking at Gangaikondan, Tirunelveli District, for the manufacture of wheat products vide their letter dated 14/08/1961.
4. Industrial license No. 7(34)/60-LI(1) dated 31/07/1965 for the enhancement of the wheat grinding capacity of the facility at Gangaikondan, Tirunelveli District, to 75 tonnes per day.
5. Eighth Consent Order No. 51 issued by the Tamil Nadu Pollution Control Board as per proceeding No. DEE/TNV/F61/O/M/W/2005, dated 13/06/2005 for discharge of sewage and trade effluents for the flour facility of KLRF at Gangaikondan, Tirunelveli District.
6. Industrial license No. 278(89) obtained from the Government of India, Ministry of Industry, Department of Industrial Development, Secretariat of Industrial Approvals, dated 18/10/1989 for KLRF Textiles Unit-I located at Gangaikondan, Tirunelveli District, engaged in the manufacture of Cotton Yarn.
7. Letter from the Government of India, Ministry of Industry, Department of Industrial Development, Secretariat for Industrial Approvals, dated 12/03/1990 for the expansion of the Cotton Yarn capacity of the KLRF Textiles Unit-I located at Gangaikondan, Tirunelveli District.
8. Renewal of Consent Order No. 7436 issued by the Tamil Nadu Pollution Control Board as per proceeding No. DEE/TNPCB/VNR/F OM-6/A/2005, dated 02/03/2005 for the discharge of emissions from stacks/chimneys for the KLRF Textiles Unit-II, located at N. Subbiahpuram, Sattur Taluk, Virudhunagar District, Tamil Nadu.
9. Renewal of Consent Order No. 3295 issued by the Tamil Nadu Pollution Control Board as per proceeding No. DEE/TNPCB/VNR/F OM-6/W/2005, dated 02/03/2005 for the discharge of sewage for the KLRF Textiles Unit-II, located at N. Subbiahpuram, Sattur Taluk, Virudhunagar District, Tamil Nadu
10. Certificate of Importer-Exporter Code bearing IEC No. 0488001749 issued on 01/04/1998 by Government of India, Ministry of Commerce, Joint Director General of Foreign Trade, to the Company.

**C. Trademark Approvals**

Details of our trademarks registered in India are as follows:

Sr. No.	Trademark Number	Trademark Registered	Authority	Class Details	Date of Registration	Validity
1	209981	Kuthuvilakku (Maida, Sooji, Atta)	Registrar Of Trade Marks, Trade Mark Registry, Govt. Of India, Mumbai-20	30	12/07/1962	10/07/2014
2	228715	Kuthuvilakku (Wheat Bran)	Registrar Of Trade Marks, Trade Mark Registry, Govt. Of India, Mumbai-20	31	04/05/1965	03/05/2007
3	392266	Kuthuvilakku (Cone Hoisery Yarn & Hank Yarn)	Registrar Of Trade Marks, Trade Mark Registry, Govt. Of India, Mumbai-20	23	25/06/1982	24/06/2010
4	466607	Kuthuvilakku (Pasta Products Noodles, Spagetti)	Registrar Of Trade Marks, Trade Mark Registry, Govt. Of India, Mumbai-20	30	27/01/1987	26/01/2008
5	466608	Kuthuvilakku (Whole Meal Atta)	Registrar Of Trade Marks, Trade Mark Registry, Govt. Of India, Mumbai-20	30	27/01/1987	26/01/2008
6	466609	Kuthuvilakku (Samba Rava)	Registrar Of Trade Marks, Trade Mark Registry, Govt. Of India, Mumbai-20	30	27/01/1987	26/01/2008

**OTHER REGULATORY AND STATUTORY DISCLOSURES**

**Authority for This Issue**

The Board of Directors have, pursuant to a resolution passed at its meeting held on 24/08/2005, authorised the Issue, subject to the approval of the shareholders of our Company under Section 81 (1A) of the Companies Act.

Our shareholders have authorised the Issue by a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Annual General Meeting held on 28/09/2005.

We have also obtained all necessary contractual approvals required for the Issue. For further information, see "Government/Statutory and Business Approvals" on page 86 of this Prospectus.

**Prohibition by SEBI**

Our Company, our Directors, our Promoters, the directors and persons in control of our Promoters, our Subsidiary, other companies promoted by our Promoters and companies with which our Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

**ELIGIBILITY FOR THIS ISSUE**

In terms of clause 2.3 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amendments thereof, KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED. is eligible to make a Public Issue of equity shares as explained below:

- The proposed Offer size does not exceed five times the pre-offer networth as per the audited accounts for the years ended on 31/03/2006.
- There has been no change in the name of the issuer company within the last one year.

We undertake that the number of allottees in the Issue shall be at least 1,000. Otherwise, the entire application money shall be refunded forthwith. In case of delay, if any, in refund, the Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

**DISCLAIMER CLAUSE**

**AS REQUIRED, A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE LEAD MANAGER KEYNOTE CORPORATE SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED, HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 17/02/2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:**

**"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE.**

**ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THIS ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

**WE CONFIRM THAT:**

- A) THE PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THIS ISSUE;**
- B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- C) THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**
- D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**

All legal requirements pertaining to this issue will be complied with at the time of filing of the prospectus with the Registrar of Companies, Tamil Nadu at Chennai, in terms of Section 56, Section 60 and Section 60b of the Companies Act.

The filing of the Prospectus does not, however, absolve the company from any liabilities under Section 63 and Section 68 of the Companies Act or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed offer. SEBI further reserves the right to take up at any point of time, with the Lead Manager, any irregularities or lapses in the Prospectus.

All legal requirements pertaining to this issue will be complied with at the time of filing of the prospectus with the Registrar of Companies, Tamil Nadu at Chennai, in terms of Section 56 and Section 60 of the Companies Act.

**Caution**

Our Company and the Lead Manager accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at instance of the above, mentioned entities and anyone placing reliance on any other source of information, would be doing so at his or her own risk.

The Lead Manager accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding between the Lead Manager and the Company.

Our Company and the Lead Manager shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports at collection centres or elsewhere.

**Disclaimer in Respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorised under their constitution to hold and invest in shares). This Prospectus does not, however, constitute an invitation to subscribe to shares Issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself or her self about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public issuing in any jurisdiction where action would be required for that purpose, except that this Prospectus has been filed with SEBI for observations and SEBI has given its observations and this Prospectus has been filed with Registrar of Companies, Tamil Nadu as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be issued or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**Disclaimer Clause of the Bombay Stock Exchange Limited**

The Bombay Stock Exchange Limited ("BSE") has given by its letter no. DCS/Sdm/sm/dm/2006 dated 24/04/2006, permission to the Company to use BSE's name in this offer document as one of the stock exchanges on which the

## KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED

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Company's securities are proposed to be listed. BSE has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
2. Warrant that this company's securities will be listed or will continue to be listed on BSE; or
3. Take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

### **Disclaimer Clause of the Coimbatore Stock Exchange**

Coimbatore Stock Exchange ("the exchange") has, vide their letter no. CSX:2006-2007 dated 21/04/2006, taken note of the use of their name in this Prospectus for the purpose of listing of the equity shares proposed to be issued to the public.

### **Disclaimer Clause of the Madras Stock Exchange**

Madras Stock Exchange Ltd, Chennai ("the exchange") has, vide their letter no. MSE/SEC/738/179/06 dated 02/03/2006, taken note of the use of their name in this Prospectus for the purpose of listing of the equity shares proposed to be issued to the public.

### **Filing**

A copy of the Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered to the Registrar of Companies, Tamil Nadu, Chennai. A copy of this Prospectus has been filed with SEBI at Chennai.

### **Listing**

Applications have been made to the Bombay Stock Exchange Limited ("BSE"), Coimbatore Stock Exchange ("CSX") and Madras Stock Exchange ("MSE") for permission to deal in and for an official quotation of our Equity Shares. BSE shall be the Designated Stock Exchange.

If the permission to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after our Company become liable to repay it from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the Basis of Allotment for this Issue.

### **Consents**

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to this Issue; and (b) Lead Managers to this Issue, Registrar to this Issue and legal advisors to the Company to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Tamil Nadu at Chennai as required under Sections 60 of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the Registrar of Companies, Tamil Nadu.

P. Marimuthu, our statutory auditor has given his written consent to the inclusion of his report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the Registrar of Companies, Tamil Nadu.

P. Marimuthu, has given his written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Prospectus and has not withdrawn such consent up to the time of delivery of this Prospectus for registration with the Registrar of Companies, Tamil Nadu .

### Expert Opinion

Except as stated elsewhere in this Prospectus, we have not obtained any expert opinions.

### Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Particulars	Rs. lacs	% of total expenses	% of Issue Size
Fees to intermediaries	51.30	39.46	2.19
Advertising and marketing expenses	45.70	35.16	2.51
Printing and Stationary expenses	28.00	21.53	1.54
Others	5.00	3.85	0.27
<b>TOTAL ESTIMATED ISSUE EXPENSES</b>	<b>130.00</b>	<b>100.00</b>	<b>6.51</b>

### Fees Payable to the Lead Managers

The total fees payable to the Lead Managers for the Issue will be as stated in the MoU executed between the Company and the Lead Manager dated 27/01/2006, copy of which is available for inspection at our Registered Office.

### Fees Payable to the Registrar to this Issue

The fees payable to the Registrar to this Issue will be as per the memorandum of understanding dated 27/01/2006, a copy of which is available for inspection at our corporate office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

### Brokerage

Brokerage for the Issue will be paid @1.50% of the issue price of the Equity Shares by our Company on the bases of allotment made against the applications bearing the stamp of a member of any recognized stock exchange in India in the 'broker' column. Brokerage at the same rate will also be payable to the bankers to the issue in respect of allotments made against application procured by them provided the respective forms of application bear their respective stamp in the Broker Column. In case of tampering or over stamping of Broker's/ Agent's codes on application form, our decision to pay brokerage in this respect will be final and no further correspondence will be entered in this matter.

### Commission and Brokerage on Previous Issues

The Company has paid the commission and brokerage in respect of all previous issues. The company had an Initial Public offering in 1982 and a Rights Issue in 1992.

### Previous Rights and Public Issues

Please refer to the paragraph on "Capital Structure" on page 9 of this Prospectus.

### Outstanding Debentures or Bonds

As on the date of filing of this Prospectus, the Company does not have any outstanding Debenture or Bond Issue.

### Outstanding Preference Shares

As on the date of filing of this Prospectus, the Company does not have any outstanding preference shares.

### Issues otherwise than for Cash

Except as stated in the section titled "Capital Structure" beginning on page 9 of this Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.



## KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED

### Companies Under the same Management

There are no companies under the management within the meaning of section 370(1B) of the Companies Act, 1956, except those mentioned in the Prospectus, details of which commence from page 53

### Option to Subscribe

Equity Shares being offered through this Prospectus can be applied for in dematerialized form only.

### Stock Market Data for our Equity Shares

The equity shares of our company are listed on the BSE, MSE and CSX. However, the equity shares of our company are actively traded on the BSE. The stock market data for the equity shares on the BSE are as follows:

#### **BOMBAY STOCK EXCHANGE LIMITED**

Particulars	High			Low			Average Price (Rs.)
	High (Rs)	Date (Rs)	Volume on date of high (no. of shares)	Low (Rs)	Date (Rs)	Volume on date of Low (no of shares)	
2003	31.20	15/12/2003	3612	7.00	28/03/2003	800	19.10
2004	67.00	02/12/2004	3597	13.50	25/03/2004	952	40.25
2005	134.90	18/08/2005	42890	40.30	13/01/2005	900	87.60
April 2006	86.90	27/04/2006	5243	70.25	21/04/2006	1868	75.82
May 2006	95.00	08/05/2006	9846	66.25	22/05/2006	2522	81.78
June 2006	74.60	01/06/2006	2639	50.00	15/06/2006	1087	64.37
July 2006	67.95	06/07/2006	671	55.00	20/07/2006	4876	60.74
August 2006	88.00	25/08/2006	18602	59.00	04/08/2006	538	70.35
September 2006	78.80	19/09/2006	6718	66.65	20/09/2006	4055	73.63
October 2006	78.25	09/10/2006	4476	67.80	21/10/2006	262	74.20

Week end price of equity Shares of KLRF on BSE

Week ended	Price (Rs.)
03/11/2006	72.20
27/10/2006	73.20
20/10/2006	73.10
13/10/2006	75.40

### Particulars Regarding Public Issues during the Last Five Years

We have not made any public issues during the last five years.

### Promise versus Performance of all previous issues of the Company

Our Initial Public Offering was conducted in the year 1982 and we conducted a Rights Issue in the year 1993. The objects of those issues have been completed within the stipulated time-frame and there are no objects from any of the previous which are outstanding till date.

### Promise versus Performance - Previous Issues of Group Companies.

All the Promoter Group Companies are Private Limited Companies.

### Mechanism for Redressal of Investor Grievances

The memorandum of understanding between the Registrar to this Issue and us will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to this Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

#### **Disposal of Investor Grievances by the Company**

We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Our Company has appointed T. V. Krishnamurthi, Company Secretary as the Compliance Officer and he may be contacted at 75/8, Benares Cape Road, Gangaikondan - 627352, Tel No.: +91 (462) 2300231; Fax No.: +91 (462) 2486132. Investors may contact him in case of any Pre-Issue or Post-Issue problems.

#### **Changes in Auditors during the last three financial years and reasons therefor**

There have been no changes of the auditors of our Company in the last three years.

#### **Capitalisation of Reserves or Profits**

The Company has conducted two Bonus Issues of Equity Shares, once in 1982 and the second one in 1992. For further details kindly refer to the chapter titled "Capital Structure" on page 9 of this Prospectus.

#### **Revaluation of Assets**

The Company has not revalued its assets in the past five years.

#### **Other Disclosures**

The Promoter group, the directors of the Promoters, the Promoter group companies or the Directors have not purchased or sold any securities of the Company during a period of six months pending the date on which this Prospectus is filed with SEBI except as disclosed in the chapter titled "Capital Structure" on page 9 of this Prospectus.

#### **Interest of Promoters and Directors**

Except as stated in this Prospectus, the Promoters do not have any interest in the business of KLRM, except to the extent of investments made by them in the Company and the returns earned thereon. We have entered into various agreements/ transactions with our Promoter, group companies and other companies on a arms length basis. For further details please refer to disclosures regarding "Related Party Transactions" on page 52 of this Prospectus.

The Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of this Prospectus and also to the extent of any dividend payable to them and other distribution in respect of the said Equity Shares.

#### **Payment or Benefit to Officers of the Company**

Except as stated in this Prospectus, no amount or benefit has been paid or given or is intended to be paid or given during the preceding two years to any of its officers except for the normal remuneration paid to Directors, officers or employees since the incorporation of the Company. None of the beneficiaries of loans, advances and sundry debtors are related to the Company's Directors.

## SECTION VII - ISSUE RELATED INFORMATION

### TERMS OF THE ISSUE

The equity shares being issued are subject to terms of this Prospectus, the terms and conditions contained in the application form, the Memorandum and Articles of Association of the Company, provisions of the Act and letters of allotment/ Equity Share Certificates or other documents and the guidelines issued from time to time by the Government of India and Securities & Exchange Board of India.

#### RANKING OF EQUITY SHARES

The equity shares being offered shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu with the other equity shares of the Company in all respects including dividends.

#### MODE OF PAYMENT OF DIVIDEND

The Company shall pay dividend to its shareholders as per the provisions of the Companies Act, 1956.

#### FACE VALUE AND ISSUE PRICE

The Equity Shares with a face value of Rs.10/- each are being offered in terms of this Prospectus at a price of Rs. 55/- per share. At any point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

#### RIGHTS OF THE EQUITY SHAREHOLDERS

Subject to the applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meeting and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation; and
- Such other rights, as may be available to a shareholder of a listed company under the Companies Act and Memorandum and Articles of Association of the Company.

For further details on the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/ splitting, see "Main Provisions of Articles of Association of the Company".

#### MARKET LOT

In terms of Section 68B of the Companies Act, the equity shares shall be allotted only in dematerialised form. As per the existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors. Since trading of the Equity Shares is in dematerialised form/mode, the tradable lot shall be one equity share.

#### NOMINATION FACILITY TO THE INVESTOR

In accordance with Section 109A of the Companies Act, the sole or first applicant, alongwith other joint applicants, may nominate any one person in whom, in the event of the death of sole applicant or in case of joint applicants, death of all the applicants, as the case may be, the Equity Shares transferred/allotted, if any, shall vest. A person being a nominee, entitled to the equity shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of equity share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the equity shares ; or
- b. to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

**MINIMUM SUBSCRIPTION**

If the company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act.

**ARRANGEMENTS FOR DISPOSAL OF ODD LOTS**

The equity shares of the Company will be listed/traded in compulsory demat mode. The market lot of the share will be 1 (One). The Company has not made any arrangements for the disposal of odd lot shares arising out of the issue.

**ISSUE PROCEDURE**

**OPTION TO SUBSCRIBE**

In terms of section 68B of the Companies Act, 1956, the equity shares in this offer shall be allotted only in dematerialised form (i.e. not in the form of physical certificates but the fungible and be represented by the statement issued through electronic mode). Investors shall have an option to hold the shares post allotment in physical or demat form.

**HOW TO APPLY**

**AVAILABILITY OF APPLICATION FORMS AND PROSPECTUS.**

Application forms with Memorandum containing salient features of the Prospectus and copies of the Prospectus under Section 56(3) of the Act may be obtained from the Registered Office of the Company, the Lead Managers to the Public Issue, Brokers to the Public Issue and the Bankers to the Public Issue named herein or from their branches as stated on the reverse of the application form.

**TERMS OF PAYMENT**

**a) For Indian Resident Public**

The application (WHITE in colour) must be for a minimum of 100 equity shares and thereafter in multiples of 100 shares. The entire amount of Rs. 55/- per share is payable on application.

**b) For permanent employees of KLRF**

The application (BLUE in colour) must be for a minimum of 100 equity shares and thereafter in multiples of 100 shares. The entire amount of Rs. 55/- per share is payable on application.

**c) For Non-Resident Indians (NRI's) / Foreign Financial Institutions (FII's)**

The application (RED in colour) must be for a minimum of 100 equity shares and thereafter in multiples of 100 shares. The entire amount of Rs. 55/- per share is payable on application.

**d) For Mutual Funds/Banks/Financial Institution (FI's)**

The application (GREEN in colour) must be for a minimum of 100 equity shares and thereafter in multiples of 100 equity shares. The entire amount of Rs. 55/- per share is payable on application.

**e) For Existing Shareholders of KLRF**

The application (YELLOW in colour) must be for a minimum of 100 equity shares and thereafter in multiples of 100 equity shares. The entire amount of Rs. 55/- per share is payable on application.

**NOTE ON CASH PAYMENT (SECTION 269 SS)**

Having regard to the provisions of Section 269 (SS) of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.

**WHO CAN APPLY**

1. Indian National Resident of India.
2. Hindu Undivided Families (HUF) through the Karta of the HUF. (Applications by HUF would be given the same treatment as that to applications by individuals)
3. Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the shares.
4. Scientific and/or Industrial Research Organisations, which are authorised to invest in the equity shares.
5. Indian Mutual Funds registered with SEBI.
6. Indian Financial Institutions & Banks.
7. Trusts who are registered under the Societies Registration Act, 1860 or any other Trust Law and are authorised under their constitution to hold and invest in shares subject to provisions of Section 3A of the Bank Nationalisation Act.

8. Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India.
  9. Venture Capital Funds registered with SEBI.
  10. Foreign Venture Capital Investors registered with SEBI.
  11. State Industrial Development Corporation.
  12. Provident Funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in equity shares.
  13. Pension Funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in equity shares.
  14. Multilateral and bilateral development financial institutions.
  15. Permanent and Regular employees/Working Directors of the Bank.
  16. Non Resident Indians (NRIs)/FII's on repatriation basis.
- Pursuant to the existing regulations, OCBs are not eligible to participate in the issue.

### **PROCEDURE FOR APPLICATION**

#### **APPLICATION BY RESIDENT INDIAN PUBLIC**

1. Application must be made only:
  - a. On the prescribed Application Form (WHITE in colour) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made.
  - b. For a minimum of 100 Equity Shares and in multiples of 100 thereafter.
  - c. In single name or joint names (not more than three);
  - d. By Indian Nationals resident in India, and
  - e. In the names of individuals, limited companies or statutory corporations/institutions and NOT in the names of Minors, Foreign Nationals, Non-Residents, trusts, (unless the Trust is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorised under its constitution to hold shares and debentures in a Company), Hindu Undivided Families, partnership firms or their nominees. In case of HUF's application shall be made by the Karta of the HUF.
2. An applicant in the net public category cannot make an application for that number of securities exceeding the number of securities offered to the public. Payment should be made in cash or by cheque/Bank Draft drawn on any bank (including a Co-operative Bank) which is situated at and is a Member or Sub-member of the Banker's Clearing House located at the place where the application is submitted.
3. A separate cheque or Bank draft should accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders/Postal Orders will not be accepted.
4. All Cheques or Bank Drafts must be payable to any of the Bankers to the Public Issue with whom the application is lodged and marked "Name of the Bank A/c- KLRF - Public Issue" and crossed "Account Payee Only" (e.g. **HDFC Bank - A/c KLRF - Public Issue**).
5. All application Forms duly completed together with cash/ cheque/bank draft for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Public Issue named herein or to any of their branches mentioned on the reverse of Application Form, and NOT to the Company or to the Lead Managers to the Public Issue or to the Registrars to the Public Issue.
6. No receipt will be issued for the application money. However, Bankers to the Public Issue and/or their branches receiving the applications will acknowledge receipt by stamping and returning acknowledgment slip at the bottom of each application form.

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7. When an application for Equity Shares is for a total value of Rs.50,000/- or more, the applicant or in the case of application in joint names each applicant should mention his/her Permanent Account Number(PAN) allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle, Ward, District. In case neither PAN, GIR Number has been allotted mention of "Not Allotted" must be made in the place provided. Application Form without this information will be considered incomplete and is liable to be rejected.
8. All Cheques/Bank Drafts accompanying the application form should contain the Application Form Number on the reverse of the instrument.
9. The applicant should fill in the details of his/her bank account in the space provided in the application form failing which the application is liable to be rejected.
10. Having regard to the provisions of Section 269 (SS) of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.
11. Applicants residing at places where the designated branches of the Banker to the Issue are not located may submit/mail their applications at a their sole risk alongwith Demand Draft payable at Mumbai only payable to "**KLRF - Public Issue**"

For further instructions please read Application Form carefully.

### **APPLICATION BY PERMANENT EMPLOYEES**

Reservation on competitive basis has been made in the public issue to the permanent employees including working directors of the company. Reservation on competitive basis shall mean reservation wherein allotment of shares made in proportion to the shares applied for.

1. Application must be made only :
  - a. On the prescribed Application Form (**BLUE** in colour) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made.
  - b. For a minimum of 100 Equity Shares and in multiples of 100 thereafter.
  - c. In single name or joint names (not more than three);
2. A single applicant in the reserved category can make an application for a number of shares that are being issued to employees in terms of this issue. Payment should be made in cash or by cheque/Bank Draft drawn on any bank (including a Co-operative Bank) which is situated at and is a Member or Sub-member of the Banker's Clearing House located at the place where the application is submitted.
3. A separate cheque or Bank draft shall accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders/Postal Orders will not be accepted.
4. All Cheques or Bank Drafts must be payable to any of the Bankers to the Issue with whom the application is lodged and marked "Name of the Bank A/c- KLRF - Public Issue - Employees" and crossed "Account Payee Only" (**e.g. HDFC Bank - A/c KLRF - Public Issue - Employees**).
5. All application Forms duly completed together with cash/ cheque/bank draft for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Issue named herein or to any of their branches mentioned on the reverse of Application Form, and NOT to the Company or to the Lead Managers to the Issue or to the Registrars to the Issue.
6. No receipt will be issued for the application money. However, Bankers to the Issue and/or their branches receiving the applications will acknowledge receipt by stamping and returning acknowledgment slip at the bottom of each application form.
7. When an application for Equity Shares is for a total value of Rs.50,000/- or more, the applicant or in the case of application in joint names each applicant should mention his/her Permanent Account Number(PAN) allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle,

Ward, District. In case neither PAN, GIR Number has been allotted mention of "Not Allotted" must be made in the place provided. Application Form without this information will be considered incomplete and is liable to be rejected.

8. All Cheques/Bank Drafts accompanying the application form should contain the Application Form Number on the reverse of the instrument.
9. The applicant should fill in the details of his/her bank account in the space provided in the application form failing which the application is liable to be rejected.
10. Having regard to the provisions of Section 269 (SS) of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.
11. Applicants residing at places where designated branches of the Banker to the Issue are not located may submit/mail their applications at a their sole risk alongwith Demand Draft payable at Mumbai only payable to **"KLRF - Public Issue - Employees"**

For further instructions please read Application Form carefully.

#### **APPLICATION BY NON RESIDENT INDIANS (NRIs)/FOREIGN INSTITUTIONAL INVESTOR (FIIs)**

1. Applications by Non-Resident Indians/FIIs must be made only:
  - a. In the prescribed Application Form (**RED** in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained herein and in the Application Form. Applications not so made are liable to be rejected.
  - b. For a minimum of 100 shares and in multiples of 100 thereof.
  - c. In single or joint names (not more than three).
  - d. In the names of individuals, (not in the names of minors or their nominees) of Indian nationality/origin.
2. Under the Foreign Exchange Management Act, 1999 (FEMA) general permission is granted to the companies vide notification no. FEMA/20/2000-RB dated 03/05/2000 to issue and export securities to NRI's/OCB's subject to the terms and conditions stipulated therein. The Companies are required to file the declaration in the prescribed form to the concerned Regional Office of RBI within 30 days from the date of issue of shares for allotment to NRIs with repatriation basis.
3. Application forms properly completed together with cheques/bank drafts for the amount payable on application at the rate of Indian Rs. 55/- per Equity Share or equivalent of Indian Rs.[.] per Equity Share remitted through normal banking channels or funds held in Non-Resident External (NRE) Accounts/Foreign Currency Non-Resident (FCNR) Accounts maintained with banks authorised to deal in foreign exchange in India along with documentary evidence in support of the remittance, must be delivered before the close of the subscription list to those branches of the Bankers to the Public Issue at places mentioned against their names in the application forms.
4. NRIs wishing to pay through NR (O) Accounts shall not use the form meant for NRIs and must apply only in the form meant for Resident Indian Public.
5. All cheques/bank drafts should be made payable to the Bankers to the Issue with whom the application forms are lodged. All cheques or bank drafts should be crossed "A/c Payee Only". All cheques/bank drafts should be marked **"Name of the Bank - A/c KLRF. - Public Issue - NRIs/FIIs"**. (e.g. **"HDFC Bank A/c KLRF. - Public Issue - NRIs/FIIs"**) A separate cheque/bank draft must accompany each application form. NRI application forms can be obtained, on request, from the Registered Office of the Company and the Lead Managers to the Issue.
6. Allotment of Equity Shares to Non-Resident Indians shall be subject to the prior approval of the Reserve Bank of India.
7. Applicants are requested to mention the number of application form on the reverse of the instrument to avoid misuse of instrument submitted along with the application for shares. Applicants are advised in their own interest, to indicate the name of the bank and the savings or current a/c no in the application form. In case of refund, the refund order will indicate these details after the name of the payee. The refund order will be sent directly to the payee's address.



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For further instructions please read the Application Form carefully.

### **APPLICATION BY INDIAN FINANCIAL INSTITUTIONS (IFIs) /MUTUAL FUNDS/ BANKS**

1. Application by Indian Financial Institutions, Banks & Mutual Funds must be made only :
  - a. In the prescribed application form (GREEN in colour) completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained herein and in the Application Form.
  - b. For a minimum of 100 equity shares and in multiples of 100 thereafter.
  - c. Allotment will be made on competitive basis.
  - d. Application made otherwise are liable to be rejected.
2. Payment shall be made in cash or by cheque or by bank draft. Cheques or bank drafts should be drawn on any bank (including a Co-operative Bank) which is situated at and is member or sub-member of the Banker's Clearing House located at the centre where the Application Form is submitted. Outstation cheques or bank drafts will not be accepted and application form accompanied by such cheques or bank drafts will be rejected. Money orders/Postal orders will not be accepted.
3. Cheques/bank drafts should be crossed "Account Payee Only" and should be made payable to any of the Bankers to the issue with whom the application is to be lodged and marked "**Name of the Bank A/c KLRF - Public Issue - IFI's/Banks/MF's" (e.g. "HDFC Bank A/c KLRF - Public Issue - IFIs/ Banks/MFs - whichever is applicable )**. A separate cheque or bank draft should accompany each Application Form.
4. All application forms duly completed together with cash/cheque/Bank Draft (Money orders/ Postal orders will NOT be accepted) for the amount payable on application at the rate of Rs.55/- per equity share must be delivered before the close of the Subscription List to any of Bankers to the issue named herein or to any of their branches mentioned in the Application Form and NOT to the Company or Registrars or Lead Managers to the Public Issue.
5. No receipt will be issued for the application money. However, the Bankers to the Public Issue or their branches receiving the applications will acknowledge receipt by stamping and returning to the applicants, the acknowledgment slip at the bottom of each application form.
6. The application form number should be mentioned on the reverse of the instrument through which the payment is made. Applicants are advised, in their own interest, to indicate the name of their bank and the savings / current account number in the application form. In case of refund, the refund order will indicate these details after the name of the payee. The refund order will be sent directly to the payee's address.

In case of Mutual Funds a separate application can be made in respect of each scheme of the Fund registered with SEBI and such application will not be treated as multiple applications provided the applications made by the AMCS/Trustees/ Custodian clearly indicate their intention as to each scheme concerned to which application has been made.

### **APPLICATION BY EXISTING SHAREHOLDERS (Instructions for reserved categories)**

Reservation on competitive basis has been made in the public issue to the permanent employees including working directors of the company. Reservation on competitive basis shall mean reservation wherein allotment of shares made in proportion to the shares applied for. The specified date has been determined as 17/11/2006 for the existing shareholders of the Company who are eligible to participate in this category.

1. Application must be made only :
  - a. On the prescribed Application Form (**YELLOW** in colour) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made.
  - b. For a minimum of 100 Equity Shares and in multiples of 100 thereafter.
  - c. In single name or joint names (not more than three);
2. A single applicant in the reserved category can make an application for a number of shares that are being issued to employees in terms of this issue. Payment should be made in cash or by cheque/Bank Draft drawn on any bank (including a Co-operative Bank) which is situated at and is a Member or Sub-member of the Banker's Clearing House located at the place where the application is submitted.

3. A separate cheque or Bank draft shall accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders/Postal Orders will not be accepted.
4. All Cheques or Bank Drafts must be payable to any of the Bankers to the Issue with whom the application is lodged and marked "Name of the Bank A/c- KLRF - Public Issue - Shareholders" and crossed "Account Payee Only" (e.g. **HDFC Bank - A/c KLRF - Public Issue - Shareholders**).
5. All application Forms duly completed together with cash/ cheque/bank draft for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Issue named herein or to any of their branches mentioned on the reverse of Application Form, and NOT to the Company or to the Lead Managers to the Issue or to the Registrars to the Issue.
6. No receipt will be issued for the application money. However, Bankers to the Issue and/or their branches receiving the applications will acknowledge receipt by stamping and returning acknowledgment slip at the bottom of each application form.
7. When an application for Equity Shares is for a total value of Rs. 50,000/- or more, the applicant or in the case of application in joint names each applicant should mention his/her Permanent Account Number (PAN) allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle, Ward, District. In case neither PAN, GIR Number has been allotted mention of "Not Allotted" must be made in the place provided. Application Form without this information will be considered incomplete and is liable to be rejected.
8. All Cheques/Bank Drafts accompanying the application form should contain the Application Form Number on the reverse of the instrument.
9. The applicant should fill in the details of his/her bank account in the space provided in the application form failing which the application is liable to be rejected.
10. Having regard to the provisions of Section 269 (SS) of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.
11. Applicants residing at places where designated branches of the Banker to the Issue are not located may submit/mail their applications at a their sole risk alongwith Demand Draft payable at Mumbai only payable to "**KLRF - Public Issue - Shareholders**"

For further instructions please read Application Form carefully.

**APPLICATIONS WHICH ARE NOT COMPLETE IN EVERY RESPECT OR ARE IN CONTRAVENTION OF ANY PROVISIONS/INSTRUCTIONS CONTAINED IN THIS PROSPECTUS OR IN THE MEMORANDUM CONTAINING SALIENT FEATURES OF PROSPECTUS ARE LIABLE TO BE REJECTED.**

#### **GENERAL INFORMATION**

- ➔ The applicant seeking allocation of shares in the electronic form must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's ID Number) appearing under the heading "Request for shares in electronic form".
- ➔ An applicant who wishes to apply for shares in the electronic form must have atleast one Beneficiary Account with any of the Depository Participant (DP) of NSDL/CDSL registered with SEBI, prior to the application.
- ➔ Shares allotted to an applicant in the electronic form will be credited directly to the respective Beneficiary Account (with a DP).
- ➔ For subscription in electronic form, names in the share application form should be identical to those appearing in the account details in the Depository. In case of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository.
- ➔ Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to the present Public Issue,

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- ➔ The applicant is responsible for the correctness of the applicant demographic details given in the share application form vis-à-vis those with his/her DP.
- ➔ It may be noted that electronic shares can be traded only on the stock exchanges having electronic connectivity with NSDL/CDSL.
- ➔ The applicant should note that on the basis of the name of the Applicant, Depository Participant's name, Depository Participants identification number and beneficiary account number provided by them in the Application Form, the Registrar to the Offer may obtain applicant's correspondence address from the said Depository Account of the Applicant. The applicants are advised to update the correct correspondence address in their respective DP A/cs.

### **INVESTORS SHOULD NOTE THAT TRADING IN SECURITIES OF THE COMPANY SHALL BE IN DEMATERIALISED FORM ONLY.**

#### **JOINT APPLICATIONS:**

An application may be made in single or in joint names (not more than three). In the case of joint application, refund/pay order (if any), dividend/interest warrants etc., will be made out in the name of the first applicant and all communications will be addressed to the applicant whose name appears first and at his/her address stated in the Application.

#### **MULTIPLE APPLICATIONS:**

An applicant should submit only one application (and not more than one) for the total number of Equity shares required. Two or more applications in single and/or joint names will be deemed to be multiple applications if the sole and/or first applicant is one and the same. The Board of Directors reserves the right to reject in its absolute discretion all or any multiple applications without assigning any reason. However employees may apply in the public offer.

In case of applications by Mutual Funds, a separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the applications made by the Asset Management Company/Trustees/Custodian clearly indicate their intention as to the scheme for which the application has been made.

Application made by permanent/regular employees of the company both under the reserved category for employees as well as in the net public offer shall not be treated as multiple applications. A separate single cheque/draft must accompany each application form.

#### **APPLICATION UNDER POWER OF ATTORNEY OR BY LIMITED COMPANIES:**

In the case of applications under Power of Attorney or by Limited Companies or Corporate Bodies, the relevant power of attorney or the relevant authority as the case may be, or a duly certified copy thereof must be attached to the application form or must be lodged separately at the office of the Registrars to the Issue, simultaneously with the submission of the application form mentioning the serial number of the application form and the bank branch where the application has been submitted, failing which the application is liable to be rejected.

Thumb impression or signature in languages other than the languages specified in the eighth schedule must be attested by Magistrate or Notary Public or a special Executive Magistrate under his official seal.

#### **APPLICATION (S) WILL NOT BE ACCEPTED BY THE LEAD MANAGERS OR REGISTRARS TO THE PUBLIC ISSUE**

#### **SECTION 269 SS OF INCOME TAX, 1961**

In respect of all the categories eligible to apply in this issue, having regard to the provisions of Sec 269SS of the Income Tax Act, 1961 the subscriptions against these applications should not be effected in cash and must be effected by an Account Payee Cheques/Draft, if the amount payable is Rs. 20000/- or more. In case the payment is effected in contravention of this provision, the applications are liable to be rejected.

#### **DISCLOSURE OF P.A.N. / G.I.R. NUMBER:**

Where an application for allotment of securities is for a total value of Rs.50,000/- or more i.e., the total number of securities applied for multiplied by the issue price is Rs.50,000/- or more the applicant or in case of application in joint names, each of the applicants, should mention his / her permanent account number allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the Income Tax Circle /

Ward / District. In case where neither the permanent account number nor GIR Number has been allotted, the fact of non-allotment should be mentioned in the application form. Application forms without this information will be considered incomplete and will be liable to be rejected.

**PARTICULARS RELATING TO SAVING BANK / CURRENT ACCOUNT NUMBER:**

The applicant shall have to mention particulars relating to his saving bank / current account number and the name of the bank with whom such account is held in the respective spaces provided in the application form, to enable the registrars to print the said details in the refund orders after the names of the payee to prevent fraudulent encashment of refund order(s). Application forms without this information will be considered incomplete and will be liable to be rejected.

The Applicant should note that on the basis of the name of the Applicant, Depository Participant's (DP) name, Depository Participants identification number and beneficiary account number provided by them in the Application Form, the Registrar to the Offer will obtain from the Applicant's DP A/c, the Applicant's book account details. The investors are advised to ensure that bank account details are updated in their respective DP A/cs as these bank account details would be printed on the refund order(s),if any.

**GROUND FOR TECHNICAL REJECTIONS**

Applicants are advised to note that Applications are liable to be rejected on among others on the following technical grounds:

1. Amount paid doesn't tally with the amount payable for the Equity Shares applied for;
2. Bank account details (for refund) are not given;
3. Age of First Applicant not given;
4. Application by minors;
5. PAN or GIR Number not given if application is for Rs. 50,000 or more;
6. Application for lower number of Equity Shares than specified for that category of investors;
7. Application at a price less than the offer price;
8. Application at a price higher than the stated price;
9. Application for number of Equity Shares, which are not in multiples of 100.
10. Category not ticked;
11. Multiple applications
12. In case of application under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
13. Application Form does not have Applicant's depository account details;
14. Application Forms are not delivered by the applicant within the time prescribed as per the Application Form, Issue Opening Date advertisement and this Prospectus and as per the instructions in this Prospectus and Application Form; or
15. Applications for amounts greater than the maximum permissible amounts prescribed by the regulations.
16. Applications not duly signed by the sole/joint Applicants;
17. Applications by OCBs; or
18. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the applicant (including the sequence of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's identity except for Permanent Employees.

**DEMATERIALISATION**

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The Company has entered into a tripartite agreement dated 12/06/2003 with the National Depository Services Ltd. (NSDL) and Intime Spectrum Registry Limited. (Registrar and Transfer Agent)

## KOVILPATTI LAKSHMI ROLLER FLOUR MILLS LIMITED

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for dematerialisation of the equity shares of the company. The Company has also entered into a tripartite agreement dated 10/04/2003 with the Central Depository Services Limited (CDSL) and Intime Spectrum Registry Limited for dematerialisation of the equity shares of the Company. The ISIN No. granted to the equity shares of the Company is INE014E01015. Please note that trading in shares of the company upon listing will only be in dematerialised form, although investors have an option to hold shares in the physical form or dematerialized form.

### COMMUNICATION

All future communications in connection with Application made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Applicant, Application Form number, number of Equity Shares applied for, date, bank and branch where the application was submitted and cheque/draft number and issuing bank thereof.

### DISPOSAL OF APPLICATIONS AND APPLICATION MONEY:

No receipt will be issued for the application money. However, the bankers/collection centre to the issue and/or their branches receiving the applications will acknowledge the receipt of the applications by stamping and returning to the applicant the acknowledgment receipt at the bottom portion of each application form. The Company will inform the applicants in respect of allotments made or applications rejected by despatch of allotment letter or regret letter and/or pay orders of value over Rs.1500/-, if any, by Registered Post within 10 weeks of the date of closure of the subscription list. Refunds of value not over Rs.1500/- will be dispatched under Certificate of Posting. Such Cheques or Demand Drafts will be payable at par at all centers where the applications were received. Bank Charges, if any, for en-cashing refund pay orders/cheques at any other place will be payable by the applicant.

The Board of Directors reserves, at its sole, absolute and unqualified discretion, the right to reject any application in full or in part without assigning any reason. If an application is rejected in full, the whole of the application money will be refunded to the applicant and in case of Joint applications, to the first named applicant. Where an application is rejected in part, the excess application money will be refunded to the applicant in accordance with the provisions of Section 73 of the Act. In case of any delay in sending the refund orders by more than eight days beyond 10 weeks from the date of closing of the subscription list, interest will be paid at the rates prescribed under Section 73 of the Act, to such applicants. However the Company shall as far as possible despatch the Share Certificates & Refund Orders within 30 days.

The Company undertakes to make available to the Registrars to the issue, adequate funds for allotment letters/ share certificates to be sent by registered post.

The sums received in respect of the Public Issue will be kept in separate Bank account(s) and the issuer will not appropriate the funds unless approval of the Designated Stock Exchange i.e. BSE is obtained for allotment and no utilisation shall be made till listing and trading approval is obtained from BSE, MSE and CSX where the shares are proposed to be listed.

### BASIS OF ALLOTMENT

Allotment will be made in consultation with BSE (The Designated Stock Exchange). In the event of oversubscription, the allotment will be made on a proportionate basis in marketable lots as given below:

- a. Applicants will be categorised according to the number of Shares applied for.
- b. The total number of Shares to be allocated to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of Shares applied for in that category multiplied by the inverse of the oversubscription ratio (number of applicants in the category x number of Shares applied for).
- c. The number of Shares to be allocated to the successful applicants will be arrived at on a proportionate basis (i.e. Total number of Shares applied for into the inverse of the oversubscription ratio).
- d. For applications where the proportionate allotment works out to less than 100 Shares the allotment will be made as follows:
  - (i) each successful applicant shall be allotted 100 Shares; and
  - (ii) the successful applicants out of the total applicants for that category shall be determined by the drawal of lots in such a manner that the total number of Shares allotted in that category is equal to the number of Shares worked out as per (b) above.
- e. If the proportionate allotment to an applicant works out to a number that is not a multiple of 100, the applicant

would be allotted Shares by rounding off to the nearest integer subject to a minimum allotment of 100 equity shares.

- f. If the Shares allotted on a proportionate basis to any category is more than the Shares allotted to the applicants in that category, the balance available Shares for allocation shall be first adjusted against any category, where the allotted Shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance Shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for the minimum number of Shares
- g. If as a result of the process of rounding off to the nearest integer results in the actual allotment being higher than the shares offered, the final allotment may be higher at the sole discretion of the Board of Directors, upto 110% of the size of the offer specified under Para 6 to the Capital Structure mentioned in the Prospectus.
- h. The above proportionate allotment of shares in an issue that is oversubscribed shall be subject to the reservation for small individual applicants as described below:
- i) A minimum of 50% of the net offer of shares to the Public shall initially be made available for allotment to retail individual investors as the case may be.
  - ii) The balance net offer of shares to the public shall be made available for allotment to a) individual applicants other than retails individual investors and b) other investors, including Corporate Bodies/ Institutions irrespective of number of shares applied for.
  - iii) The unsubscribed portion of the net offer to any one of the categories specified in (i) or (ii) shall/may be made available for allocation to applicants in the other category, if so required.

'Retail individual investor' means an investor who applies for shares of value of not more than Rs. 1,00,000/-

Investors may note that in case of oversubscription allotment shall be on proportionate basis and will be finalized in consultation with BSE. The drawl of lots (where required) to finalize the basis of allotment shall be done in the presence of a public representative on the governing board of the BSE.

The Executive Director / Managing Director of the Designated Stock Exchange in addition to Lead Merchant Banker and Registrar to the Public Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the SEBI Guidelines.

#### **ALLOTMENT / REFUNDS**

Our Company shall give credit to the beneficiary account with Depository Participants within two working days from the date of the allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, we shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders of Rs. 1,500 and above, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter (refund advice) through "Under Certificate of Posting" intimating them about the mode of credit of refund within 30 days of closure of Issue.

We shall ensure despatch of refund orders/refund advice, if any, by "Under Certificate of Posting" or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole or First Applicant's sole risk within 30 days of the Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- ◆ *Allotment shall be made only in dematerialised form within 30 days from the Issue Closing Date;*
- ◆ *Despatch of refund orders/ refund advice shall be done within 30 days from the Issue Closing Date; and*
- ◆ *We shall pay interest at 15.0% per annum (for any delay beyond the 30-day time period as mentioned above), if allotment is not made, refund orders/ credit intimation are not despatched and in case where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 30-day time prescribed above, provided that the beneficiary particulars relating to such Applicants as given by the Applicants is valid at the time of the upload of the electronic transfer.*

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We will provide adequate funds required for the cost of despatch of refund orders/ refund advice/ allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode i.e. ECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Applications are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Applicants

### **Payment of Refund**

Applicants should note that on the basis of name of the Applicants, Depository Participant's name, Depository Participant-Identification (DP ID) number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository, the Applicant's bank account details including the nine digit Magnetic Ink Character Recognition (MICR) code as appearing on a cheque leaf. Hence, Applicants are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Applicants at the Applicants sole risk and neither the LMs nor our company nor the Refund Banker nor the Registrar shall have any responsibility and undertake any liability for the same.

### **Mode of Making Refunds**

The payment of refund, if any, would be done through various modes in the following order of preference

- (i) ECS - Payment of refund would be done through ECS for applicants having an account at any of the 15 centers where clearing houses for ECS are managed by Reserve Bank of India, namely Ahmedabad, Bangalore, Bhubneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the nine digit Magnetic Ink Character Recognition (MICR) code as appearing on a cheque leaf, from the depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centers named hereinabove, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or RTGS
- (ii) Direct Credit - Applicants having their bank account with the Refund Banker shall be eligible to receive refunds, if any, through direct credit. The refund amount, if any would be credited directly to the eligible applicant's bank account with the Refund Banker.
- (iii) RTGS - Applicants having a bank account at any of the 15 centers detailed above, and whose application amount exceeds Rs, 1 million, shall be eligible to exercise the option to receive refunds, if any, through RTGS. All applicants eligible to exercise this option shall mandatorily provide the IFSC code in the Application form. In the event of failure to provide the IFSC code in the Application form, the refund shall be made through the ECS or direct credit, if eligibility disclosed.

Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed in I, II and III hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine digit MICR Code, the refund orders would be despatched "Under Certificate of Posting" for refund orders of value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above.

### **IMPERSONATION**

**As a matter of abundant caution, the attention of the investor is drawn to the provision of Section 68(A) of the Companies Act, 1956, reproduced below:**

**“Any person who**

- (a) Makes in a fictitious name an application to the Bank for acquiring or subscribing for any shares therein; or**
- (b) Otherwise induces the Bank to allot or register any transfer of shares therein to him or any other person in a fictitious name shall be punishable with imprisonment for a term which may extend to five years”, as applicable under the provisions of law.**

### **ACCESS TO THE FUNDS:**

Subscription received against this issue would be kept in a separate bank account and the Company will not have access to these funds so collected until it has received approval for allotment from BSE and listing and trading permission is received from BSE where listing is proposed in terms of this Prospectus.

**UNDERTAKINGS BY THE ISSUER COMPANY**

The Board of Directors of Kovilpatti Lakshmi Roller Flour Mills Ltd. state that: -

We undertake as follows:

- a) that the complaints received in respect of the Issue shall be attended to by our Company expeditiously and satisfactorily.
- b) that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at stock exchange where the Equity Shares are proposed to be listed within seven working days of finalization of basis of allotment.
- c) that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by us.
- d) that where refunds are effected through Electronic transfer of funds, a suitable communication shall be sent to the applicants within 30 days of closure of the Issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of the refund.
- e) that the certificates of the Equity Shares / refund orders to the non-resident Indians shall be dispatched within specified time.
- f) that no further issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or until the application monies are refunded on account of non-listing, under subscription etc.
- g) refunds shall be made as per the modes disclosed and allotment advice shall be dispatched to NRIs or FIIs or foreign venture capital investors registered with SEBI within the specified time.

**UTILISATION OF ISSUE PROCEEDS**

The Board of Directors of Kovilpatti Lakshmi Roller Flour Mills Ltd. states that:

- i. All monies received against this Public Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act, 1956.
- ii. Details of all monies utilised out of Public Issue referred to in sub-item(i) shall be disclosed under an appropriate separate head in the Balance Sheet of the company indicating the purpose for which such monies had been utilised; and
- iii. Details of all unutilised monies out of the present Public Issue, if any, referred to in sub-item(i), shall be disclosed under an appropriate separate head in the Balance Sheet of the company indicating the form in which such unutilised monies have been invested.

The Board of Directors of the company further certify that:

- i. the utilization of monies received under reservations shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized;
- ii. the details of all unutilized monies out of the funds received from reservations shall be disclosed under a separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company shall not have any recourse to the Issue proceeds until the approval for trading the Equity Shares is received from all the Stock Exchanges where listing is sought is received. Pending utilisation of the proceeds of the Issue as specified under the heading "Objects of the Issue", the net proceeds from the Issue may be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.



**SECTION VIII - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY**

**MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY**

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the important provisions of the Articles of Association of our Company relating to members, voting rights, lien on the Equity Shares and process for modification of such rights, forfeiture of Equity Shares, restrictions on transfer and transmission of Equity Shares and debentures and on their consolidation and splitting are detailed below.

Capitalised terms in this section have the meaning that has been given to such terms in the Articles of Association.

**MAIN PROVISIONS OF ARTICLES OF ASSOCIATION**

<b>Article 3</b>	<b>SHARE CAPITAL</b>
	The authorised share capital of the Company shall be Rs. 10,00,00,000/- (Rupees Ten crores only) divided into 1,00,00,000 equity shares of Rs. 10/- (Rupees ten) each, with power to increase or reduce the capital and to divide the capital into several classes and to attach thereto, respectively, such preferential, deferred, qualified or special rights, privileges or conditions with voting rights or with differential rights as to dividend, voting or otherwise as permissible under law and as may be determined by the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 and as the company deems fit and necessary. The minimum paid up share capital of the company shall not be less than Rs. 5,00,000/-
<b>Article 19</b>	<b>TRANSFER AND TRANSMISSION OF SHARES REGISTER OF TRANSFER</b>
	Subject to the provisions of Section 111 A of the Companies Act, 1956 and Securities Contracts (Regulations) Act, 1956 and the Securities and Exchange Board of India Act, 1992 or regulations made thereunder, the shares of the Company shall be freely transferable EXCEPT WHEN. a) the instrument of transfer is not proper or has not been duly stamped and executed or the certificate relating to the security has not been delivered to the Company or any other requirement under the law relating to registration of such transfer has not been complied with; b) the transfer of the securities in contravention of any law or rules made thereunder or any administrative instructions or conditions of listing agreement laid down in pursuance of such laws or rules. c) the transfer of the security is prohibited by any order of any Court, Tribunal or other authority under any law for the time being in force and d) that there is a lien on the shares.
<b>Article 22</b>	<b>DEATH OF A MEMBER</b>
	On the death of a member, the survivors where the member was a joint holder, and his legal representative where he was a sole holder, shall be the persons recognized by the Company as having any title to his interest in the shares.
<b>Article 24</b>	<b>FORFEITURE OF SHARES</b>
	If a member fails to pay any call, or instalment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued. In the event of non-payment on or after serving not less than fourteen days notice for forfeiture, the Board can forfeit the shares
<b>Article 25</b>	Forfeited shares may be sold or cancelled or otherwise disposed of on such terms and in such manner as the Board thinks fit.
<b>Article 29</b>	<b>NOMINATION OF SHARES AND TRANSMISSION BY A NOMINEE</b> Subject to the provision of Section 109A and 109B of the Act, every holder of shares or debentures may at any time nominate a person to whom shares or debentures shall vest in the event of his death and such nominee may either register himself as a holder of the shares or debentures as the case may be or make such transfer of such shares or debentures as the deceased shareholder or debenture holder could have made.

	<b>BOARD OF DIRECTORS</b>
<b>Article 35</b>	The number of Directors of the Company shall not be less than three and not more than twelve, including Nominee Directors.
<b>Article 31</b>	<b>BORROWING POWERS</b>
	Subject to Section 293 (1) (d) of the Act, the Board of Directors may, from time to time at its discretion raise or borrow from any person or persons, sum or sums of money for the purpose of the Company, but where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers) in the ordinary course of business exceed the aggregate paid up capital of the Company and its free reserves, the same shall be done with the consent of the Company in General Meeting.
<b>Article 32</b>	The Board of Directors may raise and secure the repayment of such moneys
	in such manner and upon such terms and conditions in all respects as it shall think fit and in particular by the creation of any mortgage or charge on the undertaking or the whole or any part of the property, present and future, or uncalled capital of the Company or by the issue of bonds, perpetual or redeemable debentures or any debenture stock of the Company charged upon all or any part of the property of the Company, both present and future, including the uncalled capital for the time being.
<b>Article 58</b>	<b>DIVIDENDS</b>
	(a) The Company in General Meeting may declare dividends out of its profits, but no dividend shall exceed the amount recommended by the Board. (b) The Board may, from time to time, pay to the members, such interim dividends as appear to it to be justified by the profits of the Company.
<b>Article 59</b>	Where owing to inadequacy or absence of profits in any year, the Company proposes to declare dividend out of reserves (the accumulated profit earned by the Company in previous years and transferred by it to reserves), such declaration of dividend shall not be made except in accordance with such rules in this behalf, and where such declaration is not in accordance with such rules, such declaration shall not be made except with the previous approval of the Central Government.
<b>Article 60</b>	<b>INDEMNITY</b>
	Subject to the provisions of section 201 of the Act, every Director, Agent, Trustee, Administrator, shall be indemnified by the Company against all losses, costs and expenses which any such officer or servant may incur or become liable by reason of any contract entered into, or any act or thing done by him as such officer or servant or any way in or about the discharge of his duties.
<b>Article 63</b>	<b>GENERAL AUTHORITY</b>
	Wherever in the Companies Act, 1956, it has been provided that any company shall have any right, privilege or authority or that any company cannot carry out any transaction unless it is so authorized by its Articles, then and in that case, this Article hereby authorizes and empowers this Company to have such right, privilege or authority to carry out such transaction as has been permitted by the Companies Act, 1956, without there being any other specific Article in that behalf herein provided.

**SECTION IX - OTHER INFORMATION**

**MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of filing of this Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Prospectus have been delivered to the Registrar of Companies, Tamil Nadu for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company located at 75/8, Benares Cape Road, Gangaikondan - 627352, Tirunelveli District, Tamil Nadu, from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this Prospectus until Issue Closing Date.

**A. MATERIAL CONTRACTS**

1. Copy of Memorandum of Understanding dated 27/01/2006 between Kovilpatti Lakshmi Roller Flour Mills Limited and Keynote Corporate Services Limited, Lead Manager to the Issue.
2. Copy of Memorandum of Understanding dated 27/01/2006 between Intime Spectrum Registry Limited, Registrar to the Issue and Kovilpatti Lakshmi Roller Flour Mills Limited the Company.
3. Copy of tripartite agreement dated 12/06/2003 between the Company, National Securities Depository Limited (NSDL) and Intime Spectrum Registry Limited.
4. Copy of tripartite agreement dated 10/04/2003 between the Company, Central Depository Services (India) Limited (CDSL) and Intime Spectrum Registry Limited
5. Copy of Agreement dated 01/12/2005 between the promoters of Eltex and Kovilpatti Lakshmi Roller Flour Mills Limited in respect of substantial acquisition of shares.

**B. DOCUMENTS FOR INSPECTION**

- 1) Copy of Memorandum of Articles and Articles of Association of Kovilpatti Lakshmi Roller Flour Mills Limited
- 2) Copies of Annual Reports of Kovilpatti Lakshmi Roller Flour Mills Limited for the year ended 31/03/2002, 31/03/2003, 31/03/2004, 31/03/2005, 31/03/2006 and audited accounts for the three months period ended 30/06/2006.
- 3) Copy of Special Resolution under section 81, 81(1A) and other relevant provisions of Companies Act, 1956 dated 28/09/2005 passed at the Annual General Meeting of the company authorizing present issue of equity shares.
- 4) Copy of certificate dated 22/09/2006 issued by P. Marimuthu, Chartered Accountant & Statutory Auditors of the Company reporting financials of Kovilpatti Lakshmi Roller Flour Mills Limited in terms of part II schedule II of the Companies Act, 1956 and including capitalization statement, taxation statement, accounting ratios for the five financial years ended March 31, 2002, 2003, 2004, 2005, 2006 and for the three months ended 30/06/2006.
- 5) Copy of certificate dated 20/10/2006 issued by P. Marimuthu, Chartered Accountant & Statutory Auditors of the Company reporting details of sources and deployment of funds as on 20/10/2006.
- 6) Copy of auditors report dated 22/09/2006 received from P. Marimuthu, Chartered Accountant & Statutory Auditors of the Company regarding tax benefits accruing to the company and its shareholders.
- 7) Copy of the Legal Due-Diligence Reports on Kovilpatti Lakshmi Roller Flour Mills Limited and Eltex Super Castings Limited, prepared and submitted by M/s Ramani & Shankar, Advocates and Legal Advisor to the Issue.
- 8) Copies of in-principle approvals from BSE, MSE and CSX vide their letter nos DCS/Sdm/sm/dm/2006, MSE/SEC/738/179/06 and CSX:2006-2007 dated 24/04/2006, 02/03/2006 and 21/04/2006 respectively.
- 9) Report on the technical viability study of Eltex Super Castings Ltd. prepared by Mr. K. A. Neelakantan, M.Tech, M.B.A., Foundry Consultant

- 10) Report on the assessment of value of Eltex Super Castings Limited for consideration of Offer prepared by Deloitte Haskins & Sells.
- 11) Copies of sanction letter dated 01/02/2006 from Canara Bank and sanction letter dated 06/02/2005 from Indian Overseas Bank, sanctioning term loans.
- 12) Copies of letter dated 14/11/2005 from Canara Bank and letter dated 14/09/2005 from Indian Overseas Bank for Renewal cum enhancement of credit limits.
- 13) Copy of letter dated 29/09/2006 from Indian Overseas Bank for sanction of short term credit facility of Rs. 1,000.00 lacs.
- 14) Copies of Consents from the Directors of the Company, Registrar to the Issue, Lead Mangers to the Issue, Auditors, Bankers to the Company, Bankers to the Issue, Legal Advisor to the Issue.
- 15) Copies of undertakings from Kovilpatti Lakshmi Roller Flour Mills Limited.
- 16) SEBI Observation Letter no. SRO/PMD/IMID/EIF/2006/2/306 dated 11/09/2006 and compliance thereof.

**DECLARATION**

We, the Directors of our Company, hereby declare that, all the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures and statements made in this Prospectus are true and correct.

Sd/-  
J. Chandrakanthi  
Vice Chairperson

Sd/-  
Suresh Jagannathan  
Managing Director

Sd/-  
V. N. Jayaprakasam  
Executive Director

Sd/-  
Sudarsan Varadaraj  
Director

Sd/-  
S. Govindan  
Director

Sd/-  
R. Sethumadhavan  
Director

Sd/-  
N. V. Srinivasan  
Director

Sd/-  
K. Gnanasekaran  
Director

Place: Gangaikondan  
Date: 09/11/2006