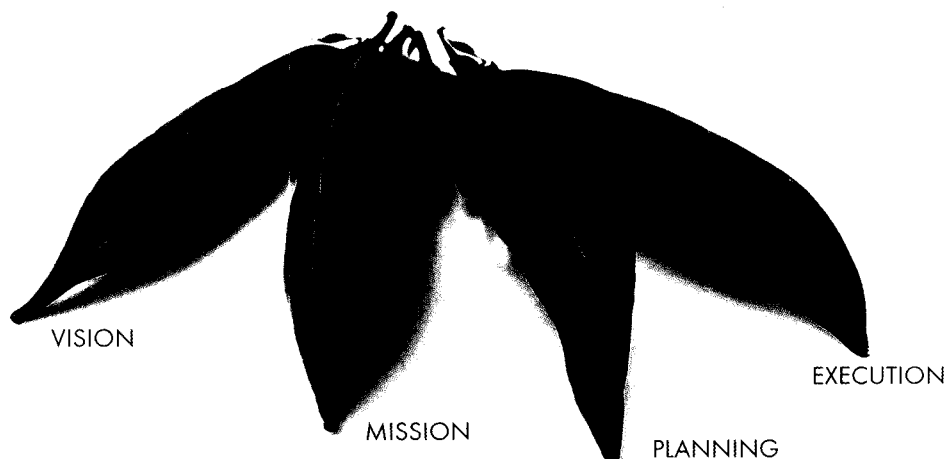


45th
ANNUAL REPORT
2008 - '09

Success Story



A PROUD MOMENT



Launch of 'KS Premium'
An improved variety of cattle feed supplemented with Yea-sacc.

Chairman and Managing Director
M.C. Paul

Executive Director
P.K. Varghese

Director and Legal Advisor
A.P. George

Directors
K.P. John
T.C. Mathew
P.D. Anto
Dr. K.C. Vijayaraghavan
John Francis K.
T.R. Ragulal
Dr. Jose Paul Thaliyath

Chief General Manager
Anand Menon

Company Secretary-Cum-General Manager (Finance)
R. Sankaranarayanan

Registered Office
Solvent Road, Irinjalakuda,
Kerala - 680 121.

Auditors
M/s. Varma & Varma,
Chartered Accountants,
Thrissur.

Bankers
ICICI BANK LIMITED

Registrars and Share Transfer Agents
M/s. S.K.D.C. Consultants Limited,
Post Box. No. 2979,
11, Seth Narayandoss Layout,
Street No. 1, West Power House Road,
Coimbatore - 641 012.

Annual General Meeting
On Thursday,
27th August, 2009 at 3.00 p.m.

Venue
Registered Office,
Solvent Road, Irinjalakuda.

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Financial Highlights

	2008-2009	2007-2008
	Rs. in Lakhs	Rs. in Lakhs
Sales and Other Income	35103.39	29044.37
Gross Profit (Profit before depreciation and interest)	1035.95	959.16
Net Profit after Tax	320.54	258.32
Shareholders' Equity (Net Worth)	2803.33	2669.98
Capital Employed	5973.21	4795.73
Gross Fixed Assets	6450.64	5386.51
	Rs.	Rs.
Shareholders' Equity per Share	87.60	83.44
Earnings per share of Rs. 10 each	10.02	8.07
Dividend Rate	50 %	35 %



Regd. Office : Solvent Road, Irinjalakuda - 680 121

NOTICE OF THE MEETING

Notice is hereby given that the 45th Annual General Meeting of KSE Limited, Irinjalakuda will be held at the Registered Office of the Company on Thursday, the 27th August, 2009 at 3.00 P.M. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2009, Profit and Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri. K.P. John, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. P.D. Anto, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. K.C. Vijayaraghavan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold Office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED that pursuant to the provisions of Sections 269, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, the Company approves the reappointment of Sri P.K. Varghese as Executive Director of the Company for a further term of three years with effect from 1st November, 2009 on a remuneration of Rs. 45,000 (Rupees Forty Five Thousand Only) per month in the scale of Rs. 45,000-2,500-50,000 along with bonus and perquisites as mentioned herein below, with in the overall limit under Schedule XIII of the Companies Act, 1956, to attend the day to day functioning of the Company subject to the direction and control of the Managing Director and that the Executive Director shall carry out such duties as are from time to time assigned to him by the Board of Directors and/or the Managing Director:

- (a) Bonus at the rates and in accordance with the rules of the Company as applicable to the senior managerial personnel of the Company within the overall limit under Schedule XIII of the Companies Act, 1956.
- (b) Provision of a car with driver for official purposes and such driver's remuneration/expenses as fixed/approved by the Board shall be reimbursed to him, if he is not provided with Company's driver.
- (c) Free use of Company's telephone at his residence.
- (d) Company's contribution towards Provident fund to the extent the same is not taxable under the Income-tax Act, 1961.
- (e) Reimbursement of medical expenses incurred for himself and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- (f) Gratuity at the rate of half a month's salary for each year of completed service including past service with the Company.
- (g) Actual leave travel expenses excluding hotel charges once in a year to any place in India to himself and his family.
- (h) Fees to clubs subject to a maximum of two clubs provided that no life membership fee or admission fee is paid.
- (i) Personal accident insurance, the premium of which shall not exceed Rs. 1000 per annum.

RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year, the Executive Director shall be paid remuneration by way of salary and perquisites as specified above."

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

"RESOLVED that pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the reappointment of Sri A.P. George as Director and Legal Advisor of the Company for a period of three years from 1st November, 2009 and payment of a sum of Rs. 11,000 (Rupees Eleven Thousand Only) per month as fee for professional services rendered to the Company as Advocate in addition to reimbursement of actual expenses incurred by him on behalf of the Company, which is covered by the opinion expressed by the Central Government under section 309 (1) of the Companies Act, 1956."

9. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

"RESOLVED that in supersession of the Resolution passed at the Annual General Meeting held on 1st September, 2007, consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging by the Board of Directors of the Company, whether pari passu with the existing charges or not, of all the immovable and movable properties of the Company, wherever situate, present and future, and the whole of the undertaking of the Company or such of them as may be agreed between the Board on the one side and Financial Institutions/ Banks/Governments on the other side, to secure loans granted to the Company by them, not exceeding Rs. 90 crores (Rupees Ninety crores only) in the aggregate from the Financial Institutions/Banks/Governments together with interest, commitment charges, costs and other charges and expenses payable by the Company in terms of the loan agreement or agreements that may be entered into between the Company on the one side and the Financial Institutions/Banks/Governments on the other side from time to time, subject to the condition that such loan or loans are used for capital projects and or working capital of the Company."

10. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

"RESOLVED that in supersession of the Resolution passed at the Annual General Meeting of the Company held on 1st September, 2007, consent of the Company be and is hereby accorded to the Board of Directors of the Company pursuant to Section 293 (1) (d) of the Companies Act, 1956 for borrowing from time to time, at its discretion either from the Company's bank or any other bank, financial institution or any other lending institutions or persons on such terms and conditions as may be considered suitable by the Board of Directors of the Company, any sum or sums of money not exceeding in the aggregate at any one point of time Rs. 90 crores (Rupees Ninety crores only) together with the money already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), irrespective of the fact that such aggregate amount of borrowing outstanding at any one point of time may exceed for the time being of the paid up capital of the Company and its free reserves, that is, reserves not set apart for any specific purpose."

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

"RESOLVED that pursuant to the provisions of Sections 269, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, the Company approves the enhancement of remuneration of Sri P.K. Varghese, Executive Director of the Company for the period from 1st November, 2008 to 31st October, 2009 to Rs. 40,000 (Rupees Forty Thousand Only) per month along with bonus and perquisites as mentioned herein below, as approved by the Board of Directors in their meeting held on 30th October, 2008, within the overall limit under Schedule XIII of the Companies Act, 1956:

- (a) Bonus at the rates and in accordance with the rules of the Company as applicable to the senior managerial personnel of the Company with in the overall limit under Schedule XIII of the Companies Act, 1956.
- (b) Provision of a car with driver for official purposes and such driver's remuneration/expenses as fixed/approved by the Board shall be reimbursed to him, if he is not provided with Company's driver.
- (c) Free use of Company's telephone at his residence.
- (d) Company's contribution towards Provident fund to the extent the same is not taxable under the Income-tax Act, 1961.
- (e) Reimbursement of medical expenses incurred for himself and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- (f) Gratuity at the rate of half a month's salary for each year of completed service including past service with the Company.
- (g) Actual leave travel expenses excluding hotel charges once in a year to any place in India to himself and his family.
- (h) Fees to clubs subject to a maximum of two clubs provided that no life membership fee or admission fee is paid.
- (i) Personal accident insurance, the premium of which shall not exceed Rs. 1000 per annum.

RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year, the Executive Director shall be paid remuneration by way of salary and perquisites as specified above."

By Order of the Board

For KSE Limited

Sd/-

R.Sankaranarayanan

Company Secretary-cum-General Manager(Finance)

Irinjalakuda
June 30, 2009

Notes:

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out above is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote on a poll instead of himself and such a proxy need not be a member. The instrument of proxy must be deposited with the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 19th August 2009 to 27th August 2009 (both days inclusive).
4. Dividend as recommended by the Board of Directors, if declared at the meeting, will be paid to those members whose names appear in the Register of Members of the Company as on 27.08.2009. In respect of shares held in dematerialised form, the dividend will be paid on the basis of beneficial ownership as per the details furnished by the Depositories for this purpose at the end of business hours as on 18th August, 2009.
5. The members are requested to address all correspondences, including dividend matters and change in their addresses, to the Registrars and Share Transfer Agents, M/s. S.K.D.C. Consultants Limited, 11, Seth Narayandoss Layout, Street No. 1, West Power House Road, Coimbatore - 641 012.
6. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting. Members who hold the shares in the dematerialised form are requested to bring their deposit account number (Client ID No.) for easier identification of attendance at the meeting.
7. Members are requested to utilise the facility to nominate a person to whom the shares held by him shall vest in the event of his death by filing nomination, in the prescribed form, with the Company, as per Sections 109A and 109B of the Companies Act, 1956.
8. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will be transferred to Investor Education and Protection Fund pursuant to Section 205 A of the Companies Act, 1956. It may be noted that no claim shall lie against the Company or the Investor Education and Protection Fund in respect of unclaimed dividend amount thus transferred to the said Fund. The members who have not encashed the dividend warrants for the final dividend for financial year ended 31st March 2003 onwards are requested to lodge their claim with the Company.
9. Members have facility for dematerialising equity shares of the Company with National Securities Depository Ltd. and Central Depository Services (India) Ltd. The ISIN No. allotted to the Company is INE953E01014. Any member desirous of dematerialising his holding may do so through any of the Depository Participants.
10. Members whose shareholding is in the electronic mode are requested to approach their respective Depository Participants for effecting change of address and updation of bank account details.
11. Members may note that transferees of shares of the Company in physical form shall furnish copy of PAN Card to the Company/RTAs for registration of such transfer of shares.
12. In terms of clause 49 of the Listing Agreement with Stock Exchanges, brief particulars pertaining to the Directors, who are proposed to be reappointed at this meeting, are given hereunder:
 - (a) Mr. K.P. John, M.A. LLB., aged 82, hails from a respectable business family of Irinjalakuda engaged primarily in oil mill industry. He is acting as the Chairman of the Audit Committee of the Company with effect from 28.09.2002 and that of the Remuneration Committee with effect from 1st September, 2007. He was past Governor of District 324 E of Lions Club. He was Chairman of Irinjalakuda Municipality for six years. He is also engaged in cashew business. He has joined as Director of the Company with effect from 15.4.1969 and is servicing the Company with his vast experience.
 - (b) Mr. P.D. Anto, aged 59, hails from a respectable business family of Irinjalakuda, engaged mainly in oil milling. He is having immense experience in oil milling. He joined as a Director of the Company effective from 29.03.1989. He is also acting as a member of the Shareholders'/Investors' Grievance Committee of the Company with effect from 28.09.2002 and that of Remuneration Committee with effect from 1st September, 2007.
 - (c) Dr. K.C. Vijayaraghavan, aged 52, hails from a leading business family of Thrissur. He joined the Board of Directors of the Company on 30.04.1990 and is also a member of the Audit Committee effective from 28.09.2002. He is a Paediatrician by profession with a Post Graduate Degree in Paediatrics from University of Bombay (Grant Medical College and J.J. Group of Hospitals, Bombay). At present he is working as a consultant child specialist at Elite Mission Hospital, Trichur in which he is also a partner.

THE EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956**Item 7**

Shri. P.K. Varghese, aged 63, is Director of the Company, with effect from 29.12.1970 and was acting as Whole-time Director of the Company from 1.11.1994 to 31.8.2007. Shri P.K. Varghese was reappointed as Whole-time Director at the 42nd Annual General Meeting held on 31st August, 2006 for a period of three years on a remuneration of Rs. 26,000 (Rupees Twenty Six Thousand Only) in the scale of Rs. 26,000 - 2,000 - 30,000. Subsequent to the death of Late T.O. Paul, Executive Director on 16th July, 2007, the Board at its meeting held on 1st September, 2007, subject to the approval of the Shareholders at the General Meeting by Special Resolution, elevated Shri P.K. Varghese as Executive Director for the remaining period of his present appointment for an enhanced remuneration of Rs. 30,000 (Rupees Thirty Thousand only) per month for the period from 1st September, 2007 to 31st October, 2008 and Rs. 32,000 (Rupees Thirty Two Thousand Only) for the period from 1st November, 2008 to 31st October, 2009 along with bonus and perquisites, which was subsequently approved by the Shareholders at the Annual General Meeting held on 28th August, 2008. Further, the Board approved, subject to approval of shareholders at general meeting by special resolution, at their meeting held on 30th October, 2008, enhancement of remuneration of Shri P.K. Varghese to Rs. 40,000 (Rupees Forty Thousand only) per month for the period from 1st November, 2008 to 31st October, 2009, for which your approval is sought in Item 11 below.

Shri P.K. Varghese hails from a business family in Irinjalakuda renowned for running oil mills. He is having immense practical experience in oil milling. He is a graduate in Science. The current tenure of his appointment expires on 31st October, 2009. Your Directors are desirous that his valuable services may be continued to be utilised for the benefit of the Company. The Board accordingly recommends that Sri. P.K. Varghese be reappointed as Executive Director of the Company for a period of three years with effect from 1st November, 2009 on a remuneration and perquisites as set forth in the resolution. The Board also recommends that in the event of loss or inadequacy of profits for the Company in any financial year the Executive Director shall be paid remuneration by way of salary and perquisites as specified in the Resolution.

Shri. P.K. Varghese is interested in the proposed resolution to the extent of remuneration payable to him. None of the other Directors is interested or concerned in the proposal.

Item 8

Sri A.P. George was reappointed as Director and Legal Advisor of the Company for a period of three years from 1.11.2006. His term of appointment as Director and Legal Advisor of the Company expires on 31st October, 2009. Your Directors are desirous that his valuable services may be continued to be utilised for the benefit of the Company. The Board accordingly recommends that Sri. A.P. George be reappointed as Director and Legal Advisor of the Company for a further period of three years from 1st November, 2009 on a monthly professional fee of Rs. 11,000 per month in addition to the reimbursement of actual expenses incurred by him for the purpose of the Company. The Central Government has already given their opinion in terms of Section 309 (1) of the Companies Act, 1956 that Sri. A.P. George possesses the requisite qualifications for payment of fee for professional services rendered as an advocate of the Company. Since Sri. A.P. George is holding office or place of profit under Section 314 (1) of the Companies Act, 1956, a Special Resolution is to be passed in the general meeting to accord approval and consent for the said reappointment.

Sri. A.P. George is interested in the proposed resolution to the extent of professional fee payable to him. None of the other Directors is interested or concerned in the proposal.

Item 9

In accordance to Section 293 (1) (a) of the Companies Act, 1956, the Board of Directors shall not, except with the consent of shareholders in the General Meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company. Your Directors consider that the creation of equitable mortgage on the fixed assets of the Company, which form the undertakings of the Company attracts the provisions of Section 293 (1) (a) of the Companies Act, 1956. The term "sell, lease or otherwise dispose of" in effect covers all modes of disposal of property such as creation of equitable mortgage in favour of banks/financial institutions for the purpose of securing loans and advances.

At the Annual General Meeting of the Company held on 1st September, 2007 consent of the shareholders have been obtained for mortgaging/charging the properties of the Company to secure loan or loans not exceeding Rs. 60 crores in the aggregate. Your Directors are considering various projects for adoption as part of expansion of the area of operation of the Company. Further, along with the expansion in the operations of the Company the need for enhancement in the working capital limits also will arise. Since these are to be financed by borrowed capital, charge by way of equitable mortgage/hypothecation is required to be created in favour of banks/financial institutions. This calls for enhancement in the limits for creation of charge on the fixed assets of the Company. Your Directors suggest that the limit may be enhanced upto Rs. 90 crores.

The proposal contained in the above ordinary resolution is placed before you for your acceptance in the interest of the Company. None of your Directors is directly or indirectly interested in the aforesaid proposal.

Item 10

Pursuant to the provisions of Clause (d) of Sub-Section (1) of Section 293 of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of the paid up capital of the Company and its free reserves at any one time except with the consent of the shareholders of the Company in a general meeting. At the Annual General Meeting of the Company held on 1st September, 2007 consent of the members have been given to the Directors to borrow upto a maximum amount of Rs. 60 crores, irrespective of the fact that such amount together with the moneys already borrowed by the Company (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) exceeded the aggregate of paid up capital and the free reserves of the Company as on that date. Your Directors are considering various proposals of capital projects for implementation which requires borrowed capital. Therefore, your Directors place before you the proposal to increase the maximum borrowing limit to Rs. 90 crores.

None of the Directors of your Company is interested, either directly or indirectly, in the said proposal and recommends your approval thereof in the interest of the Company.

Item 11

Shri. P.K. Varghese, aged 63, is Director of the Company, with effect from 29.12.1970 and was acting as Whole-time Director of the Company from 1.11.1994 to 31.8.2007. Shri P.K. Varghese was reappointed as Whole-time Director at the 42nd Annual General Meeting held on 31st August, 2006 for a period of three years on a remuneration of Rs. 26,000 (Rupees Twenty Six Thousand Only) in the scale of Rs. 26,000 - 2,000 - 30,000. Subsequent to the death of Sri. T.O. Paul, Executive Director on 16th July, 2007, the Board at its meeting held on 1st September, 2007, subject to the approval of the Shareholders at the general meeting by Special Resolution, elevated Shri P.K. Varghese as Executive Director for the remaining period of his present appointment for an enhanced remuneration of Rs. 30,000 (Rupees Thirty Thousand only) per month for the period from 1st September, 2007 to 31st October, 2008 and Rs. 32,000 (Rupees Thirty Two Thousand Only) for the period from 1st November, 2008 to 31st October, 2009 along with bonus and perquisites, which was subsequently approved by the shareholders at the Annual General Meeting held on 28th August, 2008.

Further, the Board approved, at their meeting held on 30th October, 2008, subject to approval of shareholders at general meeting by special resolution, enhancement of remuneration of Shri P.K. Varghese to Rs. 40,000 (Rupees Forty Thousand only) per month along with bonus and perquisites for the period from 1st November, 2008 to 31st October, 2009, that is for the remaining period of his current tenure. Board recommends that the enhancement of Remuneration to Sri. P.K. Varghese as above and as set forth in the resolution be approved. The Board also recommends that in the event of loss or inadequacy of profits for the Company in any financial year the Executive Director shall be paid remuneration by way of salary and perquisites as specified in the resolution.

Shri. P.K. Varghese is interested in the proposed resolution to the extent of remuneration payable to him. None of the other Directors is interested or concerned in the proposal.

DIRECTORS' REPORT

Your Directors have pleasure in presenting their 45th Annual Report together with the audited accounts for the financial year ended 31st March 2009.

Financial Highlights

	For the year ended 31.03.2009 (Rs. in lakhs)	For the year ended 31.03.2008 (Rs. in lakhs)
Profit before depreciation	759.77	707.98
Depreciation	259.03	286.66
Taxation including deferred tax	180.20	163.00
Profit after tax	320.54	258.32
Surplus brought forward	102.99	1.70
Transfer to General Reserve	32.10	26.00
Dividend	160.00	112.00
Corporate Dividend Tax	27.19	19.03

Dividend

Considering the profits for the current year, your directors recommend a dividend of 50 % (Rs. 5.00 per share of Rs.10 each) for the year ended 31st March, 2009 which, if approved at the ensuing Annual General Meeting, will be paid to those members whose names appear in the Register of Members of the Company as on 27.08.2009. In respect of shares held in dematerialised form, the dividend will be paid on the basis of beneficial ownership as per the details furnished by the Depositories for this purpose at the end of business hours as on 18.08.2009.

Operations

During the year 2008-09 the turnover of the Company improved from Rs. 289 crores to Rs. 350 crores, thus registering an increase of 21 % over that of previous year. The improvement in turnover is mainly due to the increase in the selling price of cattle feed and deoiled coconut cake, a portion of which is due to substitution of high quality feed in place of low end products. Quantitywise the sale of cattle feed improved marginally. The volume of ice cream enhanced from 600 kl to 791 kl recording a growth of 32 % in volume. Despite the continuing adverse conditions in the animal feed front, we could retain the sales volume at same levels of earlier two years. The Company performed well in terms of profits after tax, which improved from Rs. 258.32 lakhs in year 2007-08 to Rs. 320.54 lakhs in the year under Report recording an increase of 24% over that of previous year.

The Cattle Feed and Solvent industries are passing through very challenging period for the past three years due to steep hike in the ingredient prices and other overhead costs, especially in the cost of labour. Your Company is combating the situation, by improving operational efficiencies and passing on minimum effect of price increase to the customers, without losing sales volumes already achieved. The average cost of cattle feed ingredients registered per tonne increase of Rs. 740 and Rs. 750 in the years 2006-07 and 2007-08, which further went up by Rs. 1529 per tonne in the year under report. It is likely that the price situation of the cattle feed ingredients will rule at these high levels in the next year also. As we are judiciously adjusting the cattle feed selling price in tune with the ingredient prices, we expect to better our performance in the coming year also.

The Company could marginally improve the quantity of oil cake processed during the financial year 2008-09 in the Oil Cake Processing Division. In the early months of the year 2008-09 we had to depend on imported coconut oil cake as we could not procure enough quantity locally. While the coconut oil price ruled at very low levels the price of coconut oil cake soared up to unexpected levels and thereby that division had incurred considerable loss during the year 2008-09. Along with this, as a result of unprecedented depreciation in the value of the Rupee against US Dollars, on repayment of Buyers Credit availed from Bank to fund the import of coconut oil cake, we had to book foreign exchange loss to the tune of Rs. 109 lakhs in Oil Cake Processing Division.

After the revamp of Dairy Division by cutting down the uneconomic milk operations and concentrating on ice cream, that Division has turned around and has started generating profits. We have added 1000 lpd production capacity of ice cream in Thalayathu Unit. Increasing the production capacity of ice cream by starting more production units nearer to the identified potential markets is on the anvil.

The procedures for sale of Mysore property is nearing final stages and is expected to be completed by September, 2009. The delay in completion of the deal is due to the recessionary trends prevailing in the real estate sector.

More information relating to the operations of the Company has been furnished in the Management Discussion and Analysis Report, as per Clause 49 of the Listing Agreement.

Capital Expenditure

Fractionation unit of the Refining Plant at Koratty Unit, which is essential for refining palm oil, has been commissioned on 21 st March, 2009. The work of Rs. 12 crores project for setting up of a 500 tpd Cattle Feed plant in Irinjalakuda, with all critical equipments of it being imported from internationally acclaimed machinery manufacturers, is nearing completion and will be operational in July, 2009.

Awards and Recognitions

The Company has won the SEA Award constituted by Solvent Extractors' Association of India for Highest Processor of Coconut Oil Cake for the year 2007-08. This Award is being received by the Company for the past 18 years consecutively since the inception of the award. Your Company has also won the Best Productivity Performance Awards instituted by the National Productivity Council, New Delhi in the category of Animal Feed Processing Industry continuously for ten years beginning with 1996-97.

Directors

Sri. K.P. John, Sri. P.D. Anto and Dr. K.C. Vijayaraghavan will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Directors' Responsibility

Pursuant to Section 217 (2AA) of the Companies Act, 1956 the Directors confirm that:

- (i) in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year.
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) the annual accounts have been prepared on a going concern basis.

Corporate Governance

Corporate Governance Report, Management Discussion and Analysis Report and Certificate from Auditors on Corporate Governance have been furnished separately and form part of this report.

Auditors

M/s. Varma & Varma, Chartered Accountants will retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

Disclosure of Particulars

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure 'A' forming part of this report.

Particulars of employees

As there are no employees who are drawing the specified remuneration, particulars of employees under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not given.

Acknowledgement

Your Directors wish to place on record their sincere appreciation for the assistance and co-operation received from Shareholders, Bankers, especially ICICI Bank, Registrars and Share Transfer Agents, Customers, Distributors and Suppliers. Board also acknowledge the valuable committed services of the executives, staff and workers of the Company.

By Order of the Board

Sd/-

M.C. Paul

Chairman and Managing Director

Irinjalakuda
June 30, 2009

Annexure A to the Directors' Report

Additional information as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A) Conservation of Energy

Every effort has been taken to utilise the energy most efficiently and judiciously using the captive generation capacity of the Company.

The total energy consumption and energy consumption per unit as per Form A in respect of Dairy Division is given below:

FORM A

Form for disclosure of particulars with respect to conservation of energy

	KONIKKARA UNIT				THALAYUTHU UNIT			
	Milk		Ice Cream		Milk		Ice Cream	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08 [#]
A. Power and Fuel consumption								
Electricity								
(a) Purchased								
Unit (Kwh)	4,24,542	4,28,020	2,50,440	2,19,580	1,11,422	1,92,191	78,756	1,828
Total Amount (Rs.)	20,57,382	17,67,723	12,13,663	9,08,342	5,91,754	10,21,548	4,18,267	9,725
Rate/unit (Rs./Kwh)	4.85	4.13	4.85	4.13	5.31	5.32	5.31	5.32
(b) Own Generation- Diesel Genset								
Unit (Kwh)	33,226	22,310	19,598	11,446	20,216	10,108	14,288	96
Unit (Kwh) / Litre of Diesel	2.67	2.67	2.67	2.67	3.31	2.24	3.31	2.24
Cost/Unit (Rs./Kwh)	12.65	13.01	12.65	13.01	10.07	15.10	10.07	15.10
B. Consumption per Unit of Production								
Electricity								
(a) Production / Processing (KL)	4,336	3,956	687	601	2,672	2,411	109	5
Consumption per KL (Kwh)	105.57	113.83	393.07	384.40	49.27	83.91	853.61	384.80

Note : [#] Ice cream production in Thalayathu unit started on 21.02.2008 and hence previous year figures are not comparable.

B) Technology Absorption

During the year under review there was no major technology absorption undertaken by the Company.

C) Foreign Exchange Earnings and Outgo

	2008-2009 Rs. in lakhs	2007-2008 Rs. in lakhs
Foreign Exchange Earnings	Nil	243.92
Foreign Exchange Outgo	1931.55	769.80

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Corporate Governance

In KSE Limited, we believe that good governance is a systematic process which enables the Company to operate in a manner that meets with the ethical, legal and business expectations and at the same time fulfills its social responsibilities. We believe in good Corporate Governance, with utmost transparency in its operations achieved by proper disclosures in its Annual Reports, Quarterly Results, Public Announcements, Press Releases and all other communications to shareholders, so as to provide shareholders and all other concerned with information about their Company's working, its strength, weakness, opportunities and threats and thereby enabling them to develop a proper and balanced perspective on the working of their Company.

2. Board of Directors

Board of KSE Limited consists of ten Directors. Two of them, including the Managing Director, are Whole-time Executive Directors. The Managing Director himself is the Chairman of the Board. The Board invariably meets in every month and evaluates the performance of the Company. All major policy and business decisions of the Company are placed before the Board and decisions are taken after due deliberations and with mutual consensus. A Management Committee with five Directors as its members is functioning to assist the Board, which is regularly meeting, twice in a month, in order to review the operations of the Company and study the proposals that are to be placed before the Board and make recommendations thereon.

During the year 2008-2009, the Board met 12 times, on 30/04/2008, 02/06/2008, 30/06/2008, 31/07/2008, 28/08/2008, 30/09/2008, 30/10/2008, 27/11/2008, 23/12/2008, 30/01/2009, 02/03/2009 and 26/03/2009.

The details of members of the Board, number of equity shares of the Company held by them as on 31.03.2009, number of Board Meetings attended by them during the financial year 2008-2009, details as to their attendance in the last AGM, details of other directorships, etc. are given hereunder:

Sl. No.	Name	Category of Director	No. of shares held	No. of Board Meetings attended	Attendance at last AGM held on 28.08.2008	No. of other Directorships*		Committee Memberships	
						Director	Chairman	Member	Chairman
1.	Mr. M.C. Paul Chairman and Managing Director	Executive	47,038	12	Present	—	—	—	—
2.	Mr. P.K. Varghese Executive Director	Executive	8,800	12	Present	—	—	—	—
3.	Mr. A.P. George Director and Legal Advisor	Non-Executive	53,155	12	Present	1	—	—	—
4.	Mr. K.P. John Director	Non-Executive Independent	10,260	12	Present	—	—	—	—
5.	Mr. T.C. Mathew Director	Non-Executive Independent	30,246	12	Present	—	—	—	—
6.	Dr. K.C. Vijayaraghavan Director	Non-Executive Independent	42,794	12	Present	—	—	—	—
7.	Mr. T.R. Ragulal Director	Non-Executive Independent	15,600	2	Present	—	—	—	—
8.	Mr. P.D. Anto Director	Non-Executive Independent	2,800	12	Present	—	—	—	—
9.	Mr. John Francis K. Director	Non-Executive	18,120	11	Present	—	—	—	—
10.	Dr. Jose Paul Thaliyath Director	Non-Executive Independent	21,080	12	Present	—	—	—	—

* For the above, only Directorships in Public Limited Companies are taken into consideration.

3. Audit Committee

Audit Committee, constituted in accordance with Clause 49 of the Listing Agreement, is empowered as per the requirements of that Clause. The Audit Committee is formed with three independent non-executive Directors as its members under the chairmanship of Mr. K.P. John. The other two members of the Audit Committee are Dr. K.C. Vijayaraghavan and Mr. T.C. Mathew.

The Audit Committee had met four times in the year 2008-2009, on 25/06/2008, 24/07/2008, 23/10/2008 and 29/01/2009. All the three members of the Committee were present in every meeting.

The broad terms of reference for the Audit Committee are as follows:

- overseeing of the Company's financial reporting process and disclosure of its financial information
- reviewing the annual financial statements before submission to the Board
- review of adequacy of internal control systems and internal audit systems of the Company
- review of Company's financial and risk management policies

4. Remuneration Committee

Remuneration Committee is constituted with Mr. K.P. John, Mr. P.D. Anto and Dr. Jose Paul Thaliyath as its members under the chairmanship of Mr. K.P. John. Remuneration Committee met two times during the year 2008-09, on 17.06.2008 and 29.10.2008. Till the constitution of the Remuneration Committee, the appointment and remuneration of Directors were considered by the Board. The broad terms of reference for the Remuneration Committee is to determine, on behalf of Directors and on behalf of the shareholders, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment. The Remuneration Committee while approving the remuneration, takes into account financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration, etc. and brings about objectivity in determining the remuneration package while striking a balance between the interest of the company and the shareholders.

The non-executive directors are paid sitting fees for meetings of the Board or any Committee thereof attended by them. The details of remuneration to the Directors for the year 2008-2009 are as follows:

		Salary and allowances Rs.	Other Benefits Rs.	Profess- ional fees Rs.	Sitting fees Rs.	Total Rs.
1.	Mr. M.C. Paul	Chairman and Managing Director	9,10,452	7,57,937	—	16,68,389
2.	Late T.O. Paul	Executive Director	—	3,75,351	—	3,75,351
3.	Mr. P.K. Varghese	Executive Director	4,92,000	1,80,039	—	6,72,039
4.	Mr. A.P. George	Director and Legal Advisor	—	—	1,08,000	1,08,000
5.	Mr. K.P. John	Director	—	—	1,10,250	1,10,250
6.	Mr. T.C. Mathew	Director	—	—	53,500	53,500
7.	Dr. K.C. Vijayaraghavan	Director	—	—	53,500	53,500
8.	Mr. T.R. Ragulal	Director	—	—	8,000	8,000
9.	Mr. P.D. Anto	Director	—	—	1,10,250	1,10,250
10.	Mr. John Francis K.	Director	—	—	49,500	49,500
11.	Dr. Jose Paul Thaliyath	Director	—	—	53,500	53,500

No stock options are granted to any one of the Directors of the Company.

5. Shareholders' / Investors' Grievance Committee

Shareholders'/Investors' Grievance Committee constituted as per Clause 49 of the Listing Agreement is having Mr. A.P. George as Chairman and Mr. P.D. Anto, Mr. John Francis K., Mr. T. R. Ragulal and Dr. Jose Paul Thaliyath as other members of the Committee. All the Directors who are members of this Committee are non-executive. Mr. R. Sankaranarayanan, Company Secretary-Cum-General Manager (Finance) has been designated as the Compliance Officer. The Shareholders'/Investors' Grievance Committee had met four times in the year 2008-2009, on 30/06/2008, 31/07/2008, 30/10/2008 and 30/01/2009. As on 31st March 2009, no complaint/query was pending reply and no share transfer was pending for registration.

6. General Body Meetings

The location and time where last three AGMs were held is given below:

Name of Meeting	Date and Time	Venue
42 nd Annual General Meeting	31 st August, 2006 at 3.00 p.m.	KSE Limited, Registered Office,
43 rd Annual General Meeting	1 st September, 2007 at 3.00 p.m.	Solvent Road, Irinjalakuda - 680 121
44 th Annual General Meeting	28 th August, 2008 at 3.00 p.m.	

In the 42nd Annual General Meeting held on 31st August, 2006 special resolution was passed for (1) reappointment and remuneration of Sri. P. K. Varghese as Whole-time Director and (2) Sri A.P. George as Director and Legal Advisor of the Company.

In the 43rd Annual General Meeting held on 1st September, 2007 no special resolution was passed.

In the 44th Annual General Meeting held on 28th August, 2008 special resolutions were passed for (1) enhancement of remuneration of Sri. P.K. Varghese on elevating him as Executive Director (2) reappointment and Remuneration of Sri. M.C. Paul as Managing Director of the Company and (3) payment of leave salary and handing over of car to Mrs. Mary Paul, wife of Late T.O. Paul, who was Executive Director of the Company.

No special resolution was either put through postal ballot last year nor there is any proposal for the same this year.

7. Disclosures

- i) **Related party transactions:** The transactions of purchase of raw materials, mainly coconut oil cake and cattle feed ingredients from concerns in which few executive and non-executive directors/relatives of directors have interest, and sale of products of the company, to concerns appointed as distributors of the Company in which certain Directors/relatives of Directors have interest, have been made at prices which are reasonable having regard to quality and prevailing market prices for such materials or the prices at which transactions of similar goods or services have been made with other parties. All the transactions covered under related party transaction were fair, transparent and at arms length. The Register of Contracts containing transactions in which Directors are interested, is regularly placed before the Board. Full disclosure of related party transactions as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India is given under Note No. 14 of Notes to the Annual Accounts.
- ii) **Disclosure of Accounting Treatment:** The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.
- iii) **Details of Non-compliance:** No penalty or strictures were imposed on the Company by the Stock Exchanges or SEBI or any authority on any matter related to capital markets during the last three years.
- iv) **Whistle Blower Policy:** Though the Company has not implemented any formal Whistle Blower Policy, no personnel has been denied access to the Audit Committee of the Company.
- v) **Compliance of mandatory and non-mandatory requirements:** The Company has implemented all mandatory requirements of Clause 49 of the Listing Agreement. The Company has complied with the non-mandatory requirement as regards unqualified financial statements, Remuneration Committee and compliance of all the applicable Accounting Standards issued by the Institute of Chartered Accountants of India from time to time. The Company has not complied with the other non-mandatory requirements.

8. Code of Conduct

The Board approved the Code of Conduct applicable to the Board Members and the Senior Management Personnel of the Company at its meeting held on 29.12.2005. The code has been posted on the website of the Company. All Board Members and Senior Management Personnel have affirmed compliance with the Code and a declaration to this effect signed by the CEO is annexed to this Report.

9. Means of Communication

Regularly the Company is publishing quarterly unaudited results and notices in 'Business Line' English daily and 'Mathrubhumi' Malayalam daily. The Company has posted the latest quarterly results in the Company's website www.kselimited.com.

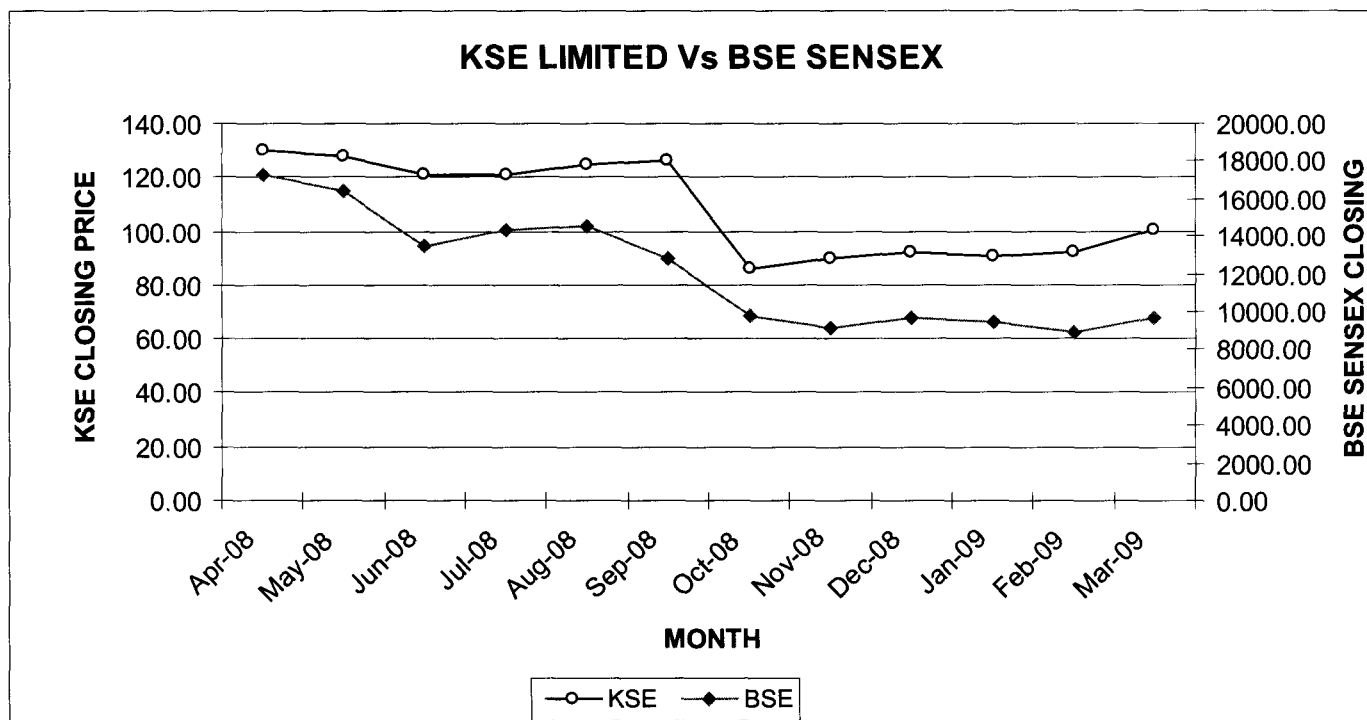
10. General Shareholder Information

- | | |
|---|--|
| i) AGM - Date, time and venue | 27 th August, 2009 at 3.00 p.m.
KSE Limited, Registered Office,
Solvent Road, Irinjalakuda - 680 121. |
| ii) Financial Year | 2009 - 2010 |
| Unaudited Results for First Quarter | Before 31 st July, 2009 |
| Unaudited Results for Second Quarter | Before 31 st October, 2009 |
| Unaudited Results for Third Quarter | Before 31 st January, 2010 |
| Audited Results for year ending 31 st March 2010 | Before 30 th June, 2010 |
| iii) Book Closure Date | 19 th August, 2009 to 27 th August, 2009
(both days inclusive) |
| iv) Dividend Payment Date | within 20 days from the date of Annual General Meeting
(if declared at the Annual General Meeting) |
| v) Listing on Stock Exchanges | Cochin, Mumbai and Madras Stock Exchanges |
| vi) Stock Code | |
| Cochin Stock Exchange Ltd. | KSE |
| The Stock Exchange, Mumbai | 519421 |
| Madras Stock Exchange Ltd. | KSE |

vii) Market Price Data
During Financial year 2008-2009
(based on BSE data)

Month	High (Rs.)	Low (Rs.)
April	143.85	123.15
May	134.55	125.00
June	130.00	120.75
July	128.90	115.00
August	142.00	116.45
September	133.00	117.00
October	129.75	86.00
November	94.50	82.00
December	97.00	83.75
January	96.60	86.00
February	96.00	87.65
March	105.25	90.00

viii) Performance of Share Price in comparison with BSE Sensex during 2008-2009



ix) Registrars and Share Transfer Agents
(both for Physical and Demat Segment)

M/s. S.K.D.C. Consultants Limited
11, Street No. 1, S.N. Layout,
West Power House Road,
Coimbatore - 641 012.
Telephone : 0422 6549995, 2499803, 2499804
Fax : 0422 2499574
E Mail : info@skdc-consultants.com

x) Share Transfer System

The Company's shares are under compulsory demat list and are transferable through Depository System. Both demat and physical share transfers are handled by M/s. S.K.D.C. Consultants Limited, Coimbatore. Members holding share certificates in physical form can transfer their shareholding by sending the share certificates, with a valid, duly executed and stamped transfer deed signed by the transferor and transferee and copy of PAN Card of transferee to the Registrars and Share Transfer Agents in the above address.

xi) Shareholding Pattern

Category	As at 31 st March 2009		As at 31 st March 2008	
	No. of shares held	% of share holding	No. of shares held	% of share holding
Promoter's Holding				
Indian Promoters	11,08,338	34.64	11,09,949	34.69
Sub Total	11,08,338	34.64	11,09,949	34.69
Non Promoter's Holding				
Banks	—	—	—	—
Private Corporate Bodies	5,24,533	16.39	4,61,200	14.41
Indian Public	15,37,179	48.03	16,11,606	50.36
NRIs/OCBs	29,950	0.94	17,245	0.54
Sub Total	20,91,662	65.36	20,90,051	65.31
Grand Total	32,00,000	100.00	32,00,000	100.00

xii) Distribution of share holding

No. of shares held	As at 31 st March 2009				As at 31 st March 2008			
	No. of Folios	%	No. of shares	%	No. of Folios	%	No. of shares	%
1 to 500	3806	85.07	5,47,721	17.12	3913	85.16	5,70,012	17.81
501 to 1000	235	5.25	1,84,416	5.76	242	5.27	1,90,620	5.96
1001 to 5000	330	7.38	7,26,875	22.72	337	7.33	7,46,206	23.32
5001 to 10000	49	1.09	3,40,901	10.65	49	1.07	3,43,399	10.73
10001 and above	54	1.21	14,00,087	43.75	54	1.17	13,49,763	42.18
Total	4,474	100.00	32,00,000	100.00	4,595	100.00	32,00,000	100.00

xiii) Dematerialisation of shares and liquidity

The Company has signed agreements for demat of shares of the Company with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The ISIN number of the Company is INE953E01014. The total number of shares demated as on 31.03.2009 is 12,34,884 - 38.59% (as on 31.03.2008 - 11,90,654 - 37.21%).

xiv) Plant Location

The location of various plants of the Company along with address and phone numbers are provided in the outside back cover of the Annual Report.

xv) Address for correspondence

Company Secretary-Cum-General Manager (Finance)
KSE Limited
Irinjalakuda - 680 121, Kerala.

DECLARATION OF COMPLIANCE OF CODE OF CONDUCT

As per the affirmations received from the Board Members and the Senior Management Personnel of the Company, it is declared that the Board Members and Senior Management Personnel of the Company have complied with the Code of Conduct approved by the Board in its Meeting held on 29.12.2005.

By Order of the Board

Sd/-

M.C. Paul

Chairman and Managing Director

Irinjalakuda
June 30, 2009

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. *Industry Structure and Development*

In the last three years, the prices of raw materials required for manufacture of cattle feed have been increasing steadily. During that period, average raw material price of cattle feed have witnessed an increase of around Rs. 3,000 per tonne. While failure of the crops and export and internal demands are the main reasons for the increase in price, the collective bargaining and stock holding strength of the solvent operators may also be contributing to the abnormal increase in the ingredient prices. The usage of grains for manufacture of bio-diesel and ethanol by the developed countries also fueled the price rise. During the last three years the price of several ingredients have more than doubled. The poultry and cattle feed industry through out India is in trouble. Neither the softening of crude oil prices in the international markets nor the negative inflation index in India had helped in to curtail the upward momentum of ingredient prices. In line with the increase in price of ingredients, we are trying to match the selling prices of cattle feed with much restraint, keeping in mind the delicate market balance and the long term interests of the Company. We have to maintain the price line of other major competing brands, who are holding their prices for other than economic reasons. The State Government's stubborn decision to hold the retail price of milk at uneconomical levels for the farmer, also is a hurdle for us to adjust the price band of cattle feed in tune with the ingredient prices. Notwithstanding the multitude of adverse factors, we could place a commendable performance in cattle feed division with a profit of around Rs. 870 lakhs in that division, at the same time preventing the sales volume from sliding. Measures like prudent purchase policy, adjusting selling price, cutting down overheads, etc. are being attended to on war footing.

In the Cake processing division we had faced two-pronged problem in year 2008-09. While the availability of local coconut oil cake has almost drained and its price touched the roof, as the solvent plants processing coconut oil cake scrambled for the whatever available quantity in the market, the price of coconut oil recorded a continuous decline propelled by the steady slide in the price of palm oil. The international price for coconut oil cake was also at a high and we had to import sizable quantity to run the show. The unexpected and unprecedented free fall of rupee against dollar, in contrast with all the predictions of economic stalwarts, while we were exposed to foreign currency transaction arising from import of coconut oil cake, had taken its own toll and we had to book foreign currency fluctuation loss of around Rs. 109 lakhs in the Cake processing division. The cumulative effect of all these forced us to book a loss of around Rs. 400 lakhs in Cake processing division. Off late from April, 2009, the supply position of local coconut oil cake improved and price thereof came down to acceptable levels. If the situation continues for some time, we are hopeful of presenting an attractive performance in the year 2009-10.

In Dairy Division, the milk operations are carried out at a very low level so as to meet requirement of milk and cream for production of ice cream with true quality. The ice cream section is performing extremely well and in the seasons it is utilising full production capacity as in earlier years. The production facility in Tamil Nadu has also stabilised and started catering to the markets in Tamil Nadu. We are seriously considering setting up of ice cream production facilities in close proximity to the potential markets identified by us.

2. *Opportunities and Threats*

The advantages to your Company in Cattle feed and Solvent industry are (1) its vast experience in those industries for over 36 years (2) its leadership in the market (3) acceptability of the feed and its quality standards in the market (4) prompt after sales service and good customer relation (5) a lot of prestigious awards and recognitions to prove consistent quality and leadership (6) good net work of dealership (7) talented technical and marketing personnel (8) judicious purchase of materials (9) financial strength of the Company leading to better purchasing power and (10) removal of value added tax on sale of cattle feed, de-oiled cakes and coconut oil enabling the company to effectively combat with the competitors. The threats to the Company in these two segments are (1) competition from other manufacturers of organised and unorganised sectors, mostly of recent origin with lower overhead as regards labour (2) probable entry of multinational entities (3) Upward revision of crude oil prices increasing the price of ingredients manifold (4) Negative inflation rate of the Country indicating a general slowing down in Industry (5) the highly volatile rupee Vs. dollar situation acts as a nonstimulant in import transactions (6) stagnant numbers in cattle population affecting market growth in future, as cattle rearing is still not very economical (7) Indirect control by Government over price of milk which is a bottle neck in increasing price of feed to offset increase in raw material prices (8) switching of crop by farmers from oil seeds and grains, required by us as ingredients, to other crops and (9) import of cheaper oils for industrial consumption leading to fall in demand for solvent extracted coconut oil. Your Company is tackling these issues appropriately, by taking timely actions.

The advantages to your Company in Dairy segment are (1) reputation and brand image of the Company for the quality of its products and (2) financial strength of the Company helping to withstand the unhealthy market competitions. The perceived threats to the industry are (1) unhealthy competition from small players and (2) entry of big players including multinational corporations in the market catered by your Company.

3. ***Segmentwise Product wise Performance***

Despite the adverse conditions prevailing in the cattle feed industry, your company could present a commendable performance in cattle feed division at the same time maintaining the volume of sales from a down slide. We are striving hard to maintain this performance in the year 2009-2010 also. The oil cake processing had to undergo several adverse situations elaborately narrated above. 2008-09 was a year of turbulence for that division. However, the steady supply of local cake at reasonable prices in recent times rouse our expectations of turning around in that division in year 2009-10. We could improve the sales volume of ice cream in 2008-09 followed by the setting up of a manufacturing facility in the Thalayuthu Unit. The ice cream sales volume improved by 32 % and that division recorded a profit of Rs. 30 lakhs in the year under report.

4. ***Out look***

Though the prices of ingredients are ruling high, as we have increased the price of cattle feed judiciously without losing the market share, the cattle feed division is expected to perform well in the current year 2009-10 also. The recent softening of price of locally available coconut oil cake with steady supply raises our hope and we expect to present positive numbers in the Cake Processing Division during 2009-10. Addition of capacities for ice cream in Tamil Nadu in February, 2008 had helped us to improve the volume and contribute more to the corporate kitty which is expected to improve further in the year 2009-10. The setting up of more ice cream production units will also help us in improving the volumes and thereby improve the profitability of the Dairy Division.

5. ***Risks and Concerns***

Year 2009-10 is expected to be good and we are aiming to perform better in the current year in numbers as well as volume. It is envisaged that the Animal feed division and the Oil cake processing division will perform well in 2009-10 under the prevailing conditions. As per present availability of oil cake at reasonable rates, we expect increased capacity utilisation and improved productivity of the solvent and refining plant at Koratty. The Dairy division is also expected to perform well by increased volume of ice cream sales with improved margin. No risks or concerns are perceived by the management, other than those already discussed above.

6. ***Internal Control Systems and their adequacy***

There are adequate internal control systems in vogue in all spheres of operations of the Company so as to ensure safety to its assets against loss. These internal controls are designed in such a way to ensure adequate accounting and financial controls. The internal control system is being continually reviewed by the management and adequate steps are taken for improvement, wherever felt. Internal audits are being carried out regularly in all the Units and the internal audit reports and the corrective actions taken for the shortcomings reported in those reports, if any, are being discussed in Audit Committee Meetings.

7. ***Financial and Operational Performance***

The total turnover during the year under review improved by 21% compared to immediately preceding year. Though the improvement in turnover is mainly attributable to the increase in selling prices, it is noticeable that there is no slide in the volumes of sales in all major products. On the profit front, the Company could perform well in year 2008-09 generating after tax profit of Rs. 320.54 lakhs, compared to that of previous year Rs. 258.32 lakhs, despite the adverse situation prevailed in cattle feed and cake processing divisions. The Company is focusing on cost competitiveness and also is in search of new product lines to further improve its overall performance.

8. Industrial Relation

The Company has 940 employees in its rolls as on 31.3.2009. The Company is an exception to the adverse labour conditions said to prevail in Kerala. During its working of 36 years, the Company had lost only few man-days due to labour unrest. However, this year the functioning of Swaminathapuram Unit was affected due to labour unrest from 10th February, 2009 to 25th March, 2009. Alternate arrangements were made to meet the resultant shortage in production and for effective sale of finished goods in Tamil Nadu during the period of labour unrest. There was no labour issues of a serious nature in any other units of the Company. Long term settlements with the Unions of Swaminathapuram and Vedagiri Units have been signed and that assures peaceful industrial relation in those Units. The management continues to maintain cordial industrial relation with its employees in all Units and is attending to their grievances with an open mind.

9. Caution

The views and statements expressed or implied in the Management Discussion and Analysis are based on the current available information, experience and our own judgment. There could be possibilities for alteration of situations. The Company's actual performance may differ as a result of unforeseen events on which the management has no direct control.

Irinjalakuda
June 30, 2009

By Order of the Board
Sd/-
M.C. Paul
Chairman and Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of KSE Limited
Irinjalakuda

We have examined the compliance of conditions of Corporate Governance by KSE Limited for the year ended 31st March 2009 as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The Compliance of the conditions of Corporate Governance is primarily the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and according to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

Based on the report given by the Company's Registrar and Share Transfer Agents, we state that no investors' grievance matter is pending for a period exceeding one month, against the Company.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Thrissur
June 30, 2009

For VARMA & VARMA
Sd/-
(C. Pankajakshan)
Partner
Chartered Accountants
Membership No. 12948

AUDITORS' REPORT

To
The Members of KSE Limited
Irinjalakuda

We have audited the attached Balance Sheet of KSE LIMITED as at 31st March 2009, the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- I. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in Para 4 and 5 of the said Order.
- II. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (ii) In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of those books.
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (v) On the basis of written representations received from directors and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March 2009 from being appointed as a director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the accounting policies and other notes attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2009;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Thrissur
June 30, 2009

For VARMA & VARMA
Sd/-
(C. Pankajakshan)
Partner
Chartered Accountants
Membership No. 12948

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR AUDIT REPORT OF EVEN DATE

1. In respect of fixed assets-
 - (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) We are informed that most of the fixed assets of the Company have been physically verified by the management during the year, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets and that no material discrepancy has been noticed on such verification.
 - (c) The Company has not disposed off substantial part of fixed assets during the year.
2. In respect of inventories-
 - (a) We are informed that the inventory has been physically verified by the management at the year end, which, in our opinion, is reasonable having regard to the size of the company and the nature of its business.
 - (b) In our opinion and according to the explanations given to us, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory, and as informed to us, discrepancies of material nature were not noticed on physical verification by the management.
3.
 - (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - (b) The Company has accepted deposits under the provisions of Section 58 A of the Companies Act, 1956 from 18 parties covered in the Register maintained under Section 301 of the Companies Act, 1956 and the aggregate amount outstanding as on 31.03.2009 is Rs. 67,15,000 (Maximum amount outstanding during the year Rs. 70,16,000). The Company has not taken any other loan, secured or unsecured, from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - (c) In our opinion, the rate of interest and other terms and conditions of the deposits accepted by the Company from the Parties listed in the Register maintained under Section 301 of the Companies Act, 1956, are as applicable to other depositors and are in accordance with the Companies (Acceptance of Deposits) Rules, 1975 and are prima facie not prejudicial to the interest of the Company.
 - (d) In respect of the above deposits, the payments of principal amounts and interest there on are regular.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods. The Company, being primarily a manufacturing Company, is not rendering any services. During the course of our audit, we have not observed any continuing failure to correct major weakness in the internal controls.
5. In respect of transactions covered under Section 301 of the Companies Act, 1956-
 - (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, have been made at prices which are reasonable having regard to the quality and prevailing market prices at the relevant time.
6. In respect of deposits accepted by the Company from the public, the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under, wherever applicable, have been complied with.
7. In our opinion, the Company has an internal audit system, the scope and coverage of which is commensurate with the size of the Company and nature of its business.
8. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for the products of the Company.

9. In respect of statutory dues-

- (a) As per the information and explanations furnished to us and according to our examination of the records of the Company, except for certain minor delays in remittance of undisputed Income tax deducted at source, the Company has been generally regular in depositing undisputed provident fund and employees' state insurance dues, investor education protection fund, sales tax, wealth tax, service tax, income tax, customs duty, excise duty, cess and other statutory dues during the year. There are no arrears of undisputed statutory dues of material nature outstanding for a period of more than six months from the date on which they became payable.
- (b) According to the information and explanations given to us and as per the records of the Company examined by us, the following disputed amount of statutory dues have not been deposited with the relevant authorities as at 31st March 2009:

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
ESI Act	Relating to omitted wages	6,31,668	1996-97 to 2001-02 and 1999-2000	Employee's State Insurance Corporation

10. There are no accumulated losses at the end of the financial year and the company has not incurred cash losses during the year or in the immediately preceding financial year.
11. According to the information and explanations given to us and as per the records of the Company verified by us, the Company has not defaulted in repayment of dues to banks.
12. The Company has not given any loans or advances in the nature of loans on the basis of security by way of pledge of shares, debentures and other securities.
13. Since the Company is not a chit fund/nidhi/mutual benefit fund/society, the relative reporting requirements in this regard are not applicable.
14. Since the Company is not dealing or trading in shares, securities, debentures or other investments, the relative reporting requirements in this regard are not applicable.
15. According to the information and explanations given to us and as per the records of the company verified by us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us and the records of the Company examined by us, the short term working capital loans availed by the Company were applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds raised by the Company on short-term basis have not been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us and as per the verification of the records of the Company, no fraud, either on or by the Company has been noticed or reported during the year.

Thrissur
June 30, 2009

For VARMA & VARMA
Sd/-
(C. Pankajakshan)
Partner
Chartered Accountants
Membership No. 12948

BALANCE SHEET AS AT 31st MARCH 2009

	As per Schedule		As at 31.3.2009 Rs.	As at 31.3.2008 Rs.
I. SOURCES OF FUNDS				
1. Shareholders' Funds				
a) Share Capital	1	3,20,00,000	3,20,00,000	
b) Reserves and Surplus	2	24,83,32,951	23,49,97,721	
2. Loan Funds			28,03,32,951	26,69,97,721
a) Secured Loans	3	24,04,36,347	13,35,29,364	
b) Unsecured Loans - Public Deposits		5,94,72,000	6,44,83,000	
			29,99,08,347	19,80,12,364
3. Deferred Tax Liability (Net)			1,70,79,802	1,45,63,263
TOTAL			59,73,21,100	47,95,73,348
II. APPLICATIONS OF FUNDS				
1. Fixed Assets	4			
a) Gross block		54,53,12,328	52,86,27,922	
b) Less : Depreciation		26,13,23,554	24,47,57,209	
c) Net block		28,39,88,774	28,38,70,713	
d) Capital work in progress		9,97,52,104	1,00,22,229	
			38,37,40,878	29,38,92,942
2. Investments	5		7,50,100	2,50,100
3. Current Assets, Loans and Advances	6			
a) Inventories		24,69,85,815	19,30,15,230	
b) Sundry Debtors		31,70,364	39,41,679	
c) Cash and Bank balances		4,39,04,316	5,30,98,630	
d) Other current assets		7,51,096	4,86,630	
e) Loans and Advances		3,22,79,107	3,65,25,822	
		32,70,90,698	28,70,67,991	
Less : Current Liabilities and Provisions	7			
a) Current Liabilities		9,37,41,376	8,54,16,798	
b) Provisions		2,05,19,200	1,62,20,887	
		11,42,60,576	10,16,37,685	
Net Current Assets			21,28,30,122	18,54,30,306
TOTAL			59,73,21,100	47,95,73,348
Significant accounting policies, Notes to accounts and additional information	14			

M.C. Paul
Chairman & Managing Director

R. Sankaranarayanan
Company Secretary-cum-General Manager (Finance)

P.K. Varghese

A.P. George

K.P. John

P.D. Anto

Executive Director

Director & Legal Advisor

Director

Director

As per our report of
even date attached
For Varma & Varma
Sd/-

(C. Pankajakshan)
Partner

Chartered Accountants
Membership No. 12948

June 30, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2009

	As per Schedule	Year ended 31.3.2009	Year ended 31.3.2008
		Rs.	Rs.
INCOME			
Sales (Gross)		350,11,00,535	289,50,63,635
Less : Excise Duty		3,13,544	3,14,013
Sales (Net)		<u>350,07,86,991</u>	<u>289,47,49,622</u>
Other income	8	95,52,203	96,87,097
Stock differential	9	50,29,343	3,85,070
		<u>351,53,68,537</u>	<u>290,48,21,789</u>
EXPENDITURE			
Raw materials consumed	10	288,85,05,992	233,87,14,343
Cost of finished goods traded	11	49,53,396	—
Manufacturing, administrative and selling expenses	12	51,83,13,891	47,01,90,739
Interest and finance charges	13	2,76,17,238	2,51,18,062
Depreciation		2,59,03,414	2,86,65,956
		<u>346,52,93,931</u>	<u>286,26,89,100</u>
Profit before taxation		5,00,74,606	4,21,32,689
Provision for taxation			
Current		1,57,00,000	55,00,000
Relating to earlier years (Net)		(7,21,363)	1,43,822
Deferred (Net)		25,16,539	1,02,56,610
Fringe Benefit Tax		5,25,000	4,00,000
		<u>1,80,20,176</u>	<u>1,63,00,432</u>
Profit after tax		3,20,54,430	2,58,32,257
Add Surplus carried from previous year		1,02,99,221	1,70,404
		<u>4,23,53,651</u>	<u>2,60,02,661</u>
Less : Transfer to General Reserve		32,10,000	26,00,000
Balance		<u>3,91,43,651</u>	<u>2,34,02,661</u>
Proposed Dividend		1,60,00,000	1,12,00,000
Corporate Dividend Tax		27,19,200	19,03,440
		<u>1,87,19,200</u>	<u>1,31,03,440</u>
Balance carried to Balance Sheet		<u>2,04,24,451</u>	<u>1,02,99,221</u>
Basic and Diluted Earnings Per Share		10.02	8.07
Nominal Value per Equity Share		10.00	10.00
Significant accounting policies, Notes to Accounts and additional information	14		

M.C. Paul
Chairman & Managing Director

R. Sankaranarayanan
Company Secretary-cum-General Manager (Finance)

P.K. Varghese

A.P. George

K.P. John

P.D. Anto

Executive Director

Director & Legal Advisor

Director

Director

As per our report of
even date attached
For Varma & Varma
Sd/-

(C. Pankajakshan)
Partner

Chartered Accountants
Membership No. 12948

June 30, 2009

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT 31st MARCH 2009

SCHEDULE 1

	As at 31.3.2009 Rs.	As at 31.3.2008 Rs.
SHARE CAPITAL		
Authorised:		
99,40,000 (Previous year 99,40,000) Equity shares of Rs. 10/- each	9,94,00,000	9,94,00,000
6,000 (Previous year 6,000) 13.50 % Redeemable cumulative preference shares of Rs. 100 each	6,00,000	6,00,000
	<u>10,00,00,000</u>	<u>10,00,00,000</u>
Issued:		
32,02,820 (Previous year 32,02,820) Equity shares of Rs. 10/- each	3,20,28,200	3,20,28,200
Subscribed and Paid up:		
32,00,000 (Previous year 32,00,000) Equity shares of Rs. 10/- each (Of the above, 19,91,540 (Previous year 19,91,540) shares of Rs. 10/- each have been allotted as fully paid up bonus shares by way of capitalisation of Reserves)	3,20,00,000	3,20,00,000

SCHEDULE 2

RESERVES AND SURPLUS

Capital Reserve	70,77,500	70,77,500
Capital Redemption Reserve	3,00,000	3,00,000
Share Premium	1,62,24,000	1,62,24,000
General Reserve		
As per last Balance Sheet	18,56,00,000	18,30,00,000
Add : Transfer from Profit & Loss Account	32,10,000	26,00,000
	<u>18,88,10,000</u>	<u>18,56,00,000</u>
Gratuity Reserve	1,54,97,000	1,54,97,000
Surplus in Profit & Loss Account	2,04,24,451	1,02,99,221
	<u>24,83,32,951</u>	<u>23,49,97,721</u>

SCHEDULE 3

SECURED LOANS

Working Capital Loan from Banks		
- Cash credit	16,96,65,028	3,35,29,364
- Short term Rupee Loans	—	10,00,00,000
Long term Rupee Loan from Banks	7,07,71,319	—
(All the above facilities are secured by (1) First Charge by way of hypothecation of all current assets of the Company and Plant and Machinery of Irinjalakuda and Swaminathapuram Units and (2) equitable mortgage of immovable properties of Irinjalakuda and Swaminathapuram Units by deposit of title deeds. The long term Rupee Loan is further secured by equitable mortgage of all immovable properties of Konikkara Unit.)	<u>24,04,36,347</u>	<u>13,35,29,364</u>

SCHEDULE 4
FIXED ASSETS

(Rupees)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 1.4.2008	Additions	Sales/ Adjustments	Cost as at 31.3.2009	Up to 1.4.2008	Sales/ Adjustments	For the Year	Up to 31.3.2009	As at 31.3.2009	As at 31.3.2008
Land and Land development	3,74,44,896 (3,74,47,935)	1,12,58,571 —	— (3,039)	4,87,03,467 (3,74,44,896)	— —	— —	— —	— —	4,87,03,467 (3,74,44,896)	3,74,44,896 (3,74,47,935)
Leasehold Land	1,05,60,438 (1,05,60,438)	— —	— —	1,05,60,438 (1,05,60,438)	4,56,113 (3,37,283)	— —	1,18,830 (1,18,830)	5,74,943 (4,56,113)	99,85,495 (1,01,04,325)	1,01,04,325 (1,02,23,155)
Buildings	21,11,71,317 (20,53,82,060)	16,26,301 (57,89,257)	8,64,048 —	21,19,33,570 (21,11,71,317)	7,98,52,567 (7,17,02,230)	6,49,714 —	79,19,277 (81,50,337)	8,71,22,130 (7,98,52,567)	12,48,11,440 (13,13,18,750)	13,13,18,750 (13,36,79,830)
Plant and Machinery	25,28,66,336 (25,67,98,599)	1,46,53,589 (65,92,159)	89,11,968 (1,05,24,422)	25,86,07,957 (25,28,66,336)	15,26,85,617 (14,09,09,699)	79,41,454 (72,57,599)	1,67,86,133 (1,90,33,517)	16,15,30,296 (15,26,85,617)	9,70,77,661 (10,01,80,719)	10,01,80,719 (11,58,88,900)
Furniture and Fittings	83,26,821 (82,53,972)	1,06,898 (72,849)	14,990 —	84,18,729 (83,26,821)	68,97,572 (65,44,292)	12,165 —	2,84,040 (3,53,280)	71,69,447 (68,97,572)	12,49,282 (14,29,249)	14,29,249 (17,09,680)
Vehicles	82,58,114 (80,11,152)	— (7,73,593)	11,69,947 (5,26,631)	70,88,167 (82,58,114)	48,65,340 (43,00,453)	7,33,736 (4,45,105)	7,95,134 (10,09,992)	49,26,738 (48,65,340)	21,61,429 (33,92,774)	33,92,774 (37,10,699)
Total	52,86,27,922	2,76,45,359	1,09,60,953	54,53,12,328	24,47,57,209	93,37,069	2,59,03,414	26,13,23,554	28,39,88,774	28,38,70,713
Capital work in progress									9,97,52,104 (1,00,22,229)	1,00,22,229 (51,17,858)
	52,86,27,922	2,76,45,359	1,09,60,953	54,53,12,328	24,47,57,209	93,37,069	2,59,03,414	26,13,23,554	38,37,40,878	29,38,92,942
Previous year	(52,64,54,156)	(1,32,27,858)	(1,10,54,092)	(52,86,27,922)	(22,37,93,957)	(77,02,704)	(2,86,65,956)	(24,47,57,209)	(29,38,92,942)	(30,77,78,057)

Figures in bracket denotes the corresponding figures for the previous year.

Note : Capital work in progress (at cost) represents:

	As at 31.3.2009	As at 31.3.2008
Buildings	1,81,09,245	3,81,148
Plant and Machinery	7,33,81,115	91,50,700
Pre-operative Expenses	69,96,133	4,90,381
Advance for capital account	12,65,611	—
	9,97,52,104	1,00,22,229

SCHEDULE 5

INVESTMENTS

LONG TERM - NON TRADE

Unquoted

	As at 31.3.2009 Rs.	As at 31.3.2008 Rs.
a) 200 (Previous year 200) fully paid up shares of Rs. 1,000 each in Jeevan Telecasting Corporation Ltd.	2,00,000	2,00,000
b) 5,000 (Previous year 5,000) fully paid up shares of Rs. 10 each in Kerala Enviro Infrastructure Ltd.	50,000	50,000
c) 50,000 (Previous year Nil) fully paid up shares of Rs. 10 each in Cochin Waste 2 Energy Private Ltd.	5,00,000	—
d) One fully paid up share in Coconut Oil & Copra Producers' Co-operative Society Ltd.	100	100
	7,50,100	2,50,100

SCHEDULE 6

CURRENT ASSETS, LOANS AND ADVANCES

a) Inventories as taken, valued and certified by Management			
— Raw materials	16,06,50,335	11,82,63,413	
— Finished goods - manufactured	4,09,37,030	3,59,07,687	
— traded	10,08,760	—	
— Packing materials	2,53,04,534	2,06,62,793	
— Stores & spares and Consumables	1,90,85,156	1,81,81,337	
	24,69,85,815		19,30,15,230
b) Sundry debtors			
(i) Considered good			
Debts outstanding for a period exceeding 6 months			
Secured	2,04,312	92,416	
Unsecured	17,41,195	15,38,926	
Other debts			
Secured	7,38,671	10,67,072	
Unsecured	4,86,186	12,43,265	
(ii) Considered doubtful			
Debts outstanding for a period exceeding 6 months - unsecured	12,11,360	12,11,360	
Less: Provision for doubtful debts	(12,11,360)	(12,11,360)	
	31,70,364		39,41,679
c) Cash and bank balances			
Cash and cheques on hand (including stamps)			
Cash on hand (including stamps)	29,48,683	23,25,190	
Demand Drafts/Cheques on hand	1,39,52,284	57,62,963	
Bank balances:			
With scheduled banks			
in current accounts	1,71,69,155	4,15,13,310	
in fixed deposits	91,77,404	30,86,419	
With others - in current account			
Trichur District Co-operative Bank Limited			
(Maximum amount due at any time during the year Rs. 7,02,071 - Previous year Rs. 4,10,748)	6,56,790	4,10,748	
	4,39,04,316		5,30,98,630
d) Other Current assets - Interest accrued	7,51,096		4,86,630
e) Loans and advances			
(Unsecured considered good)			
— Advances recoverable in cash or in kind or for value to be received	1,78,58,497	1,74,08,032	
— Income tax advance (net of provisions)	97,90,456	1,31,52,021	
— Deposits	46,30,154	59,65,769	
	3,22,79,107		3,65,25,822
	32,70,90,698		28,70,67,991

SCHEDULE 7**CURRENT LIABILITIES AND PROVISIONS**

a) Current Liabilities

Sundry creditors

Due to micro enterprises and small enterprises

Due to others

Advances from customers

Security deposits

Other liabilities

Interest accrued but not due on deposits

Amounts liable to be credited to investor

Education and Protection Fund, not due:

- Unpaid dividend

- Unpaid matured deposits

- Interest accrued on unpaid matured deposits

b) Provisions for,

Proposed dividend

Corporate dividend tax

Gratuity

Leave Encashment

As at
31.3.2009
Rs.As at
31.3.2008
Rs.

—

5,57,82,464

1,79,76,041

92,89,834

34,92,395

46,61,726

24,04,837

1,17,000

17,079

1,60,00,000

27,19,200

18,00,000

—

9,37,41,376

2,05,19,200

11,42,60,576

—

4,91,28,858

1,24,71,706

95,02,333

34,56,742

80,66,434

26,79,624

1,04,000

7,101

1,12,00,000

19,03,440

21,11,438

10,06,009

8,54,16,798

1,62,20,887

10,16,37,685

SCHEDULE 8**OTHER INCOME**Year ended
31.3.2009
Rs.Year ended
31.3.2008
Rs.

Interest received from banks

(TDS Rs. 1,46,564 - Previous year Rs. 10,371)

Interest received from others

(TDS Rs. 1,00,713 - Previous year Rs. 23,847)

Processing charges received (TDS Rs. 37636 - Previous year Nil)

Insurance claim received

Exchange rate fluctuation gain

Sales-tax refund

Profit on sale of assets (Net)

Creditors no more payable written back

Miscellaneous income

6,84,163

6,73,799

17,02,209

89,852

—

3,58,640

25,00,817

10,57,173

24,85,550

95,52,203

3,50,159

5,83,384

—

10,76,351

24,88,847

—

13,61,434

—

38,26,922

96,87,097

SCHEDULE 9**STOCK DIFFERENTIAL**

Opening stock (Finished goods)

Closing stock (Finished goods)

3,59,07,687

4,09,37,030

Cr. 50,29,343

3,55,22,617

3,59,07,687

Cr. 3,85,070

SCHEDULE 10**RAW MATERIALS CONSUMED**

Opening stock

Purchases

11,82,63,413

293,08,92,914

304,91,56,327

16,06,50,335

288,85,05,992

14,98,33,459

230,71,44,297

245,69,77,756

11,82,63,413

233,87,14,343

Less : Closing stock

SCHEDULE 11
COST OF FINISHED GOODS TRADED

	Year ended 31.3.2009 Rs.	Year ended 31.3.2008 Rs.
Opening stock	—	—
Purchases	59,62,156	—
	59,62,156	—
Less : Closing stock	10,08,760	—
	49,53,396	—

SCHEDULE 12
MANUFACTURING, ADMINISTRATIVE, SELLING AND OTHER EXPENSES

Remuneration and benefits to Employees and Directors			
Salary, wages, gratuity and bonus	9,83,10,165	8,65,96,877	
Contribution to Provident Fund	87,23,998	79,75,072	
Contribution to Employees' State Insurance Corporation	31,12,300	27,99,860	
Contribution to KSE Ltd. Employees' Group Gratuity Fund Trust	1,00,46,668	24,25,000	
Other welfare expenses	75,17,489	83,44,088	10,81,40,897
	12,77,10,620		
Processing charges	6,25,29,306	5,54,68,854	
Packing materials consumed	13,14,59,967	12,95,80,856	
Power and fuel	6,86,83,455	5,55,21,594	
Freight	4,04,91,867	4,88,43,955	
Material handling charges	99,08,421	85,49,133	
Stores and spares consumed	1,81,26,016	1,62,57,158	
Rent	16,70,728	18,00,198	
Rates and taxes	32,70,083	41,79,243	
Repairs and maintenance			
Plant and machinery	32,68,606	19,39,707	
Building	28,91,003	21,02,632	
Vehicles	6,10,643	6,86,455	
Others	54,86,846	70,12,206	1,17,41,000
	1,22,57,098		
Travelling and conveyance	33,56,789	28,89,739	
Advertisement and Sales promotion	70,23,004	87,67,283	
Postage and telephone	20,96,888	23,22,373	
Printing and stationery	17,61,863	17,40,652	
Insurance	15,22,758	15,08,243	
Sitting fees to Directors	5,71,750	4,37,500	
Auditors' fees and expenses	8,44,244	8,56,744	
Professional charges	10,70,611	12,55,630	
Bank charges	75,84,039	37,06,849	
Value added Tax	5,44,072	4,06,025	
Commission and Brokerage	1,06,536	1,09,012	
Irrecoverable debts written off	—	14,408	
Provision for doubtful debts	—	12,11,360	
Loss on revaluation of cans, crates and barrels	—	2,33,557	
Loss on Exchange Rate Fluctuation (net)	1,05,37,267	—	
General charges	51,86,509	46,48,476	
	51,83,13,891	47,01,90,739	

SCHEDULE 13
INTEREST AND FINANCE CHARGES

On fixed loan	65,65,576	67,73,805
On others	2,10,51,662	1,83,44,257
	2,76,17,238	2,51,18,062

SCHEDULE 14

NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2009

A. SIGNIFICANT POLICIES:

- i) **Basis of Accounting:** The financial statements are prepared under historical cost convention on accrual basis, except as otherwise stated, and are in compliance with the Accounting Standards issued by the Institute of Chartered Accountants of India referred to in Section 211 (3C) of the Companies Act, 1956.
- ii) **Use of Estimates:** The presentation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and the estimates are recognised in the period in which the results are known / materialised.
- iii) **Fixed Assets:**
 - (a) Fixed Assets are stated at cost of acquisition, less accumulated depreciation.
 - (b) In the case of Fixed Assets acquired for new projects/expansion, expenses incurred during construction period are carried forward under 'Pre-operative expenses' and are capitalised and allocated to the respective fixed assets on commencement of commercial production.
 - (c) As at the balance sheet date an assessment is done to determine whether there is any indication of impairment in the carrying amount of fixed assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.
- iv) **Depreciation:** Depreciation on fixed assets has been provided on written down value method at the rates prescribed in Schedule XIV of the Companies Act, 1956, except on leasehold land which is amortised over the period of lease.
- v) **Investments:** Long-term investments are stated at cost less provision, if any, for permanent diminution in the value of such investments.
- vi) **Inventories:** Inventories as at the close of the year are valued at lower of cost or net realisable value. Cost includes cost of purchases, conversion and other costs, as the case may be, incurred in bringing the inventories to their present location/condition, determined on the following methods:
 - (a) Raw materials - First In First Out (FIFO)
 - (b) Packing materials - First In First Out (FIFO)
 - (c) Stores & spares and consumables:
 - i. Furnace Oil, Diesel and Boiler Fuel - First In First Out (FIFO)
 - ii. Others - At weighted average cost
- vii) **Employee Benefits**
 - A. Short-term employee benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and they are recognised in the period in which the employee renders the related service. The Company recognises the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.
 - B. Post-employment benefits:
 - (a) Defined contribution plans

Defined contribution plans are Provident Fund Scheme and Employee State Insurance Scheme administered by the Government for all eligible employees. The Company's contribution to defined contribution plans are recognised in the Profit and Loss Account in the financial year to which they relate.

(b) Defined benefit gratuity plan

The company makes contributions to the Employee's Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India. The net present value of the obligation for gratuity benefits as determined on independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past services cost if any and as reduced by the fair value of plan assets, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss account for the period in which they occur.

Gratuity in respect of Whole-time Directors is provided for on gross (undiscounted) basis and charged to Profit and Loss Account.

Past service cost is recognised immediately to the extent that the benefits are already vested, else is amortised on a straight-line basis over the average period until the amended benefits become vested.

C. Other long term employee benefits

The company has a scheme for compensated absences for eligible employees. The company makes contributions to the Scheme of the Life Insurance Corporation of India. The net present value of the obligation for compensated absences as determined on independent actuarial valuation, conducted annually using the projected unit credit method and as reduced by the fair value of plan assets, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss account for the period in which they occur.

- viii) **Sales:** Sales are stated gross of excise duty as well as net of excise duty and are stated exclusive of VAT/ sales tax.
- ix) **Claims:** Claims are accounted for as and when finally determined/settled.
- x) **Grants/Subsidies related to capital assets:** Grants/Subsidies received, specifically related to capital asset, are credited to the carrying cost of the respective asset. Other Grants/Subsidies received are credited to capital reserve.
- xi) **Borrowing Cost:** Borrowing costs that are attributable to the acquisition or construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.
- xii) **Taxes on Income:** Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.
- xiii) **Segment Reporting:** The Company's primary segments (business segments) have been identified as (a) Animal Feed Division (b) Oil Cake Processing Division and (c) Dairy Division comprising milk and milk products including Ice Cream. There are no reportable geographical segments. Segment revenue, segment results, segment assets and segment liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable estimate. The expenses, which are not directly attributable to any of the business segment are shown as unallocated expenditure. Assets and liabilities that cannot be allocated between the segments are shown as part of unallocated assets and liabilities respectively. Inter segment transfer of processed materials are accounted considering the estimated realisable value of such goods.
- xiv) **Foreign Currency Transactions, Forward Contracts and Derivatives:** Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities outstanding at the Balance Sheet date are translated at the applicable exchange rates prevailing at the year-end. The exchange gain/loss arising during the year are adjusted to the Profit and Loss Account.

Premium or discount arising on inception of forward exchange contracts, which are intended to hedge the foreign currency risk of existing assets or liabilities has been amortised as income /expense over the life of the contract and exchange differences on such contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change.

Exchange gain or loss on derivative instruments entered to hedge risks associated with foreign currency fluctuations and on forward exchange contracts, which are intended to hedge the foreign currency risks of future transactions in respect of which firm commitments are made or which are highly probable forecast transactions are determined by marking such contracts outstanding on Balance Sheet date to market. Exchange loss arising on such instruments/ contracts is provided in the accounts, while gains are not recognised.

B. NOTES TO ACCOUNTS

1. Gratuity Reserve under Reserves & Surplus represents amount set apart towards gross (undiscounted) gratuity liability of all the eligible employees as reduced by the amount available with the Employees Group Gratuity Fund Trust of the Company constituted under the Group Gratuity cum Assurance Scheme of the Life Insurance Corporation of India, including interest accrued thereon. Excess Gratuity Reserve as at the year end over such liability, if any, is retained therein. The contribution made to the Trust is charged to Profit and Loss Account as mentioned in Note No. (A)(vii)(B)(b) above.
2. a) Contingent liabilities not acknowledged as debts and not provided for in the accounts:
 - (i) in respect of disputed Electricity / ESI demands - Rs. 10,51,325 (Previous year - Rs. 10,51,325).
 - (ii) in respect of claims by Indian Railways towards alleged short levy of freight on cargo Rs. 56,26,704 (Previous Year Rs. 56,26,704).b) Estimated amount of contracts remaining to be executed on capital account not provided for Rs. 1,05,00,653 (Previous year Rs. 3,71,28,786).
3. Steps have been taken to identify the suppliers who qualify under the definition of micro and small enterprises, as defined under the Micro, Small and Medium Enterprises Development Act 2006. Since no intimation has been received from the suppliers regarding their status under the said Act as at 31st March 2009, disclosures relating to amounts unpaid as at the year end, if any, have not been furnished. In the opinion of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act, is not expected to be material.
4. Auditors' fee and expenses

	Current Year Rs.	Previous Year Rs.
For Audit	4,00,000	4,00,000
For Tax audit	45,000	45,000
For Sales-tax audit	45,000	45,000
For Taxation matters	17,000	25,000
For Certification works	1,24,750	1,42,250
Travelling and out-of-pocket expenses	1,31,272	1,19,669
Service Tax on the above	81,222	79,825
Total	<u>8,44,244</u>	<u>8,56,744</u>

5. In the opinion of the Directors, Current Assets, Loans and Advances have the value at which they are stated in the Balance Sheet, if realised in the ordinary course of business.
6. Secured loans include loans repayable within one year - Rs. 18,38,19,292 (Previous Year Rs. 13,35,29,364).
7. As a part of company's risk management policy, the exchange risks arising from foreign currency fluctuations are hedged by currency options. The particulars of such contracts as at the Balance Sheet date is as under:

	As at 31.03.2009	As at 31.03.2008
Currency Options-to hedge payables USD/INR	US \$ 1,108,500	—
There are no unhedged import payables as at the Balance Sheet date.		

8. The Company has taken buildings under rental arrangements which are treated as operating lease. Lease rental payments recognised in the profit and loss account for the year ended 31.03.2009 are Rs. 16,70,728 (Previous year Rs. 18,00,198). Future minimum lease rentals payable as at 31st March, 2009 as per the lease agreements are:

	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
(i) Not later than one year	2,83,652	2,94,400
(ii) Later than one year and not later than five years	2,10,000	6,16,600
Total	<u>4,93,652</u>	<u>9,11,000</u>

9. Disclosures required under Accounting Standard 15 "Employee Benefits" (Revised 2005)

I. Defined Contribution Plans

During the year the following amounts have been recognised in the profit and loss account on account of defined contribution plans:

	2008-09 Rs.	2007-08 Rs.
Employer's Contribution to Provident Fund	87,23,998	79,75,072
Employer's Contribution to Employee's State Insurance Fund	31,12,300	27,99,860

II. Defined Benefit Plan / Other Long Term Benefits

(i) Actuarial assumptions

	Gratuity (Funded)		Compensated Absences (Funded)	
	2008-09	2007-08	2008-09	2007-08
Discount rate (per annum)	7%	8%	7%	8%
Expected rate of return on plan assets (per annum)	8%	8%	8%	8%
Salary escalation rate* (per annum)	5%	5%	5%	5%

(* The assumption of future salary increases takes into account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.)

Mortality Rate

	Indian Lives Mortality (1994-96) Ultimate Table		Indian Lives Mortality (1994-96) Ultimate Table	
	Rs.	Rs.	Rs.	Rs.
(ii) Reconciliation of present value of obligations				
Present value of obligation at the beginning of the year	3,09,87,830	2,73,72,686	29,09,509	35,67,998
Current Service cost	25,88,288	19,70,012	46,25,593	42,03,364
Interest Cost	22,59,738	22,68,615	2,19,856	4,53,574
Actuarial gain /(loss)	54,96,619	22,40,419	(25,23,522)	(37,93,061)
Benefits paid	(24,04,165)	(28,63,902)	(18,67,765)	(15,22,366)
Present value of obligation at the end of the year	3,89,28,310	3,09,87,830	33,63,671	29,09,509
(iii) Reconciliation of fair value of plan assets				
Fair value of plan assets at the beginning of the year	2,99,95,623	2,85,95,921	19,03,500	—
Expected return on plan assets	23,99,650	22,87,673	1,52,280	71,896
Actuarial gain / (loss)	2,75,168	3,00,573	18,82,732	34,200
Contributions	99,65,366	16,75,358	20,87,336	33,19,770
Benefits paid	(24,04,165)	(28,63,902)	(18,67,765)	(15,22,366)
Fair value of plan assets at the end of the year	4,02,31,642	2,99,95,623	41,58,083	19,03,500
(iv) Description of Plan Assets				
Insurer Managed Assets	4,02,31,642	2,99,95,623	41,58,083	19,03,500
(v) Net (Asset)/Liability recognised in the Balance Sheet as at the year end				
Present value of obligation at the end of the year	3,89,28,310	3,09,87,830	33,63,671	29,09,509
Fair value of plan assets at the end of the year	4,02,31,642	2,99,95,623	41,58,083	19,03,500
Net present value of unfunded obligation recognised- as (asset)/liability in the Balance Sheet	(13,03,332)	9,92,207	(7,94,412)	10,06,009
(vi) Expenses recognised in the Profit and loss Account				
Current Service Cost	25,88,288	19,70,012	46,25,593	42,03,364
Interest Cost	22,59,738	22,68,615	2,19,856	4,53,574
Expected return on plan assets	(23,99,650)	22,87,673	(1,52,280)	(71,896)
Actuarial gain / (loss) recognised in the period	52,21,451	19,39,846	(44,06,254)	(38,27,261)
Total expenses recognised in the Profit and Loss Account for the year	76,69,827	38,90,800	2,86,915	7,57,781
Actual return on plan assets	26,74,818	25,88,246	20,35,012	1,06,096

The above disclosures are based on information certified by the independent actuary and relied upon by the auditors.

10. Managerial Remuneration under Section 198 of the Companies Act, 1956:

	Current Year Rs.	Previous Year Rs.
Salaries and bonus	14,02,452	12,45,987
Contribution to Provident Fund	1,40,245	1,24,599
Provision for Gratuity	6,80,769	1,25,769
Other benefits	1,16,962	1,82,598
Leave encashment and value of car to Late T.O. Paul *	3,75,351	—
* Represents Rs. 1,02,000 being leave encashment paid to the legal heirs of Late T.O. Paul (who was the Executive Director at the time of his death on 16th July, 2007) and Rs. 2,73,351 being written down value of car used by him handed over to his wife Mrs. Mary Paul by transfer of ownership, pursuant to the approval of Shareholders at the annual general meeting held on 28th August, 2008.	<u>27,15,779</u>	<u>16,78,953</u>

Out of the above, incremental remuneration of Rs. 52,800 paid to Shri P.K. Varghese, Executive Director during the period from 1st November, 2008 to 31st March, 2009, and Rs. 64,615 being incremental provision for gratuity, pursuant to the resolution of the Board of Directors at their meeting held on 30th October, 2008, is subject to the approval of the members at the ensuing Annual General Meeting.

11. Deferred tax liabilities (net) as at the year end represents:

	Current Year Rs.	Previous Year Rs.
Deferred tax liability towards accumulated depreciation difference	1,86,65,506	1,82,55,496
Deferred tax assets on account of		
- Provision for Employees' Benefits	11,73,963	27,37,418
- Others	<u>4,11,741</u>	<u>9,54,815</u>
Net deferred tax liability	<u>1,70,79,802</u>	<u>1,45,63,263</u>

12. Expenses incurred towards setting up of a 500 TPD new cattle feed plant at Irinjalakuda up to 31.03.2009 included under pre-operative expenses under capital work-in-progress have been itemised as per Schedule VI Part II of the Companies Act, 1956 as under:

	Current Year Rs.	Previous Year Rs.
Opening Balance	4,90,381	—
Interest and Finance Charges - on fixed loans	61,91,219	—
Foreign Exchange Gain on import of machinery	(1,36,749)	—
Rates and Taxes	79,800	—
Bank Charges	1,03,202	4,73,641
Travelling and Conveyance	1,82,619	780
Printing and Stationery	1,450	—
Others	84,211	15,960
Balance included under Capital Work in Progress	<u>69,96,133</u>	<u>4,90,381</u>

13. Public Deposits grouped under Unsecured Loans include deposits due to Directors Rs. 4,55,000 (Previous year Rs. 4,55,000), the Interest accrued but not due on deposits grouped under Current Liabilities include interest accrued on the deposits accepted from Directors Rs. 10,007 (Previous year Rs. 3,044) and Interest and Finance Charges include Rs. 42,718 (Previous year Rs. 59,366) being interest paid on Deposits accepted from Directors. The said Deposits were accepted under the Companies (Acceptance of Deposits) Rules, 1975 on the same terms and conditions as applicable to other depositors.

14. Related Party Disclosure

- a) Key management personnel
- | | |
|-------------------|--|
| Mr. M.C. Paul | - Chairman and Managing Director |
| Late T.O. Paul | - Upto 16th July, 2007 as Executive Director |
| Mr. P.K. Varghese | - Executive Director |
- b) Enterprises over which key management personnel and their relatives are able to exercise significant influence having transaction with the Company
- M/s. Emceepee Traders; M.C. Paul & Sons; MCP Agro Technologies Pvt. Ltd.; MCP Rose Super Market Pvt. Ltd.; M.P. Jackson & Bros.; Emceepee Agencies; Surya Agencies and Supreme Traders.
- c) Relatives of Key Management Personnel having transaction with the Company
- Mr. M.P. Gigi; Dr. Francis Alappat; Mrs. Usha Francis; Dr. James Chettupuzhakkaran; Mr. Bellraj Eapen; Mrs. Binu Ann; Mrs. Anu Maria; Mrs. Megha Ann Tomy; Mrs. Anu V. Koithara and Mrs. Mariamma Francis.

- d) Transactions with related parties during the year

	Current Year Rs.	Previous Year Rs.
i) Payment to Key Management Personnel		
Remuneration	27,15,779	16,78,953
Interest on Public Deposit	—	2,425
Balance outstanding as at the year end		
- Payables	—	—
- Receivables	—	—
ii) Transactions with enterprises over which key management personnel and their relatives are able to exercise significant influence		
Sale of products	69,65,132	66,12,114
Purchase of materials	63,71,540	49,32,297
Godown Rent	1,86,000	66,000
Expenses reimbursed	30,326	7,081
Security deposit Interest	2,700	2,700
Balance outstanding as at the year end		
- Payables	59,948	2,02,691
- Receivables	—	—
iii) Transactions with Relatives of Key Management Personnel		
Interest on Public Deposits paid/due	4,48,902	4,98,897
Balance outstanding as at the year end		
- Payables (Public Deposits including accrued interest)	49,90,933	46,50,122
- Receivables	—	—

- e) No amount has been provided/written off as doubtful debts or advances written back in respect of payables due from or to any of the above related parties.

15. Earnings Per Share :

	Current Year	Previous Year
Profit after tax as per Profit and Loss Account (Rs.)	3,20,54,430	2,58,32,257
Number of Equity Shares	32,00,000	32,00,000
Basic and Diluted Earnings Per Share (Rs.)	10.02	8.07

16. **Segment Information**
Segment Revenue, Results and Capital Employed

Rs.

	Animal Feed	Oil Cake Processing	Dairy	Total
a) Segment Revenue	280,25,24,597 (227,99,83,807)	85,76,19,980 (70,41,30,217)	12,21,47,194 (10,65,15,764)	378,22,91,771 (309,06,29,788)
Less : Inter-segment Revenue	—	28,15,04,780 (19,58,80,166)	—	28,15,04,780 (19,58,80,166)
Total Revenue	280,25,24,597 (227,99,83,807)	57,61,15,200 (50,82,50,051)	12,21,47,194 (10,65,15,764)	350,07,86,991 (289,47,49,622)
b) Segment Results	10,47,86,867 (3,48,72,165)	(-) 3,09,14,973 (3,47,24,439)	58,12,384 (13,72,541)	7,96,84,278 (7,09,69,145)
Less : Interest				2,76,17,238 (2,51,18,062)
Unallocated Expenditure (net of unallocated income)				19,92,434 (37,18,394)
Total Profit / Loss (-) before tax				5,00,74,606 (4,21,32,689)
c) Segment Assets	30,10,66,830 (26,25,76,016)	18,67,85,981 (16,82,46,734)	5,54,16,257 (5,69,74,704)	54,32,69,068 (48,77,97,454)
Unallocated Assets				16,83,12,608 (9,34,13,579)
Total Assets				71,15,81,676 (58,12,11,033)
d) Segment Liabilities	7,20,46,823 (7,27,82,802)	97,33,948 (66,62,567)	65,59,963 (62,98,152)	8,83,40,734 (8,57,43,521)
Unallocated Liabilities				34,29,07,991 (22,84,69,791)
Total Liabilities				43,12,48,725 (31,42,13,312)
e) Segment Capital Expenditure	1,28,44,456 (76,03,069)	1,31,62,000 (11,78,029)	15,90,657 (43,26,978)	2,75,97,113 (1,31,08,076)
Unallocated Capital Expenditure				8,97,78,121 (50,24,153)
Total Capital Expenditure				11,73,75,234 (1,81,32,229)
f) Segment Depreciation	74,12,349 (79,91,517)	1,26,80,835 (1,44,22,501)	48,31,532 (49,81,575)	2,49,24,716 (2,73,95,593)
Unallocated Depreciation				9,78,698 (12,70,363)
Total Depreciation				2,59,03,414 (2,86,65,956)
g) There is no significant non-cash expenses, included in segment expenses, other than depreciation in respect of segment assets.				

Notes : a) Unallocated Assets include Capital Work in Progress Rs. 9,97,52,104 (Rs. 1,00,22,229) Investments Rs. 7,50,100 (Rs. 2,50,100), Income tax Advance (net of provisions) Rs. 97,90,456 (Rs. 1,31,52,021) and Cash and Bank Balance Rs. 4,39,04,316 (Rs. 5,30,98,630).

b) Unallocated Liabilities include Deferred Tax Liability Rs. 1,70,79,802 (Rs. 1,45,63,263), Secured Loans Rs. 24,04,36,347 (Rs. 13,35,29,364), Unsecured Loans Rs. 5,94,72,000 (Rs. 6,44,83,000) and Provision for Dividend including Corporate Dividend Tax Rs. 1,87,19,200 (Rs. 1,31,03,440).

c) Figures in brackets denote the corresponding figures for the previous year.

17. Figures of the previous year have been regrouped and recast wherever necessary to suit the current year's layout.

18. ADDITIONAL INFORMATION PURSUANT TO PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956
A. PARTICULARS IN RESPECT OF CAPACITY AND PRODUCTION / PROCESSING

Sl. No.	Class of goods manufactured	Licensed capacity in MT/KL	Installed capacity of own factories in MT/KL	Actual Production in MT/KL	
				Own factories	Other factories
1.	Solvent Extracted Coconut Oil	Not applicable	Processing of 90,000 MT of Coconut Oil Cake	5,106* (5,281)	311 (Nil)
2.	De-oiled Coconut Cake	Not applicable		54,200* (56,424)	3,213 (Nil)
3.	Ready-mixed Cattle Feed and Feed Supplement	Not applicable	1,78,500	1,90,967 (1,86,780)	95,192 (1,00,412)
4.	Refined Oil	Not applicable	36,000	582 (627)	
5.	Milk	18,250	18,250	4,363* (4,770)	
6.	Ice Cream	750	750	796 (605)	

* Including quantities used for captive consumption.

B. PARTICULARS IN RESPECT OF STOCK AND TURNOVER

Sl. No.	Class of goods manufactured	Opening		Closing		Sales	
		Qty. in MT/KL	Value (Rs.)	Qty. in MT/KL	Value (Rs.)	Qty. in MT/KL	Value (Rs.)
1.	Solvent Extracted Coconut oil	222 (392)	82,25,440 (1,41,25,855)	84 (222)	35,77,574 (82,25,440)	4,911 (4,757)	24,40,44,080 (20,52,93,254)
2.	De-oiled Coconut Cake	1,805 (1,412)	1,09,85,515 (76,13,151)	2,040 (1,805)	1,55,96,710 (1,09,85,515)	25,684 (27,785)	30,08,81,773 (26,84,60,736)
3.	Ready-mixed Cattle Feed and Feed Supplement	1,986 (1,766)	1,48,35,157 (1,16,67,518)	1,491 (1,986)	1,23,78,308 (1,48,35,157)	2,87,049 (2,86,695)	277,48,14,178 (224,49,20,285)
4.	Refined Oil	1 (4)	42,927 (1,49,930)	150 (1)	69,55,851 (42,927)	422 (622)	2,55,92,852 (3,00,19,660)
5.	Milk	23 (18)	3,58,078 (2,43,031)	23 (23)	3,98,234 (3,58,078)	3,796 (4,307)	7,20,45,310 (6,91,56,095)
6.	Ice Cream	20 (16)	6,25,706 (5,06,918)	25 (20)	8,63,242 (6,25,706)	791 (600)	4,11,70,303 (3,06,11,589)
7.	Others		8,34,864 (12,16,214)		11,67,111 (8,34,864)		4,22,38,495 (4,62,88,003)
	Total		3,59,07,687 (3,55,22,617)		4,09,37,030 (3,59,07,687)		350,07,86,991 (289,47,49,622)

C. RAW MATERIALS CONSUMED

	Units	Year ended 31 st March 2009		Year ended 31 st March 2008	
		Qty.	Value (Rs.)	Qty.	Value (Rs.)
(a) Coconut Oil Cake	MT	65,878	80,78,76,518	66,073	61,96,33,464
(b) Rice Bran	MT	1,43,519	102,50,78,180	1,29,583	78,75,30,272
(c) Cholam	MT	60,496	55,75,58,170	61,060	44,88,95,844
(d) Cotton Seed Cake	MT	12,946	14,25,68,744	9,944	8,92,17,467
(e) Milk	KL	4,363	6,16,87,659	4,770	5,68,32,624
(f) Others			29,37,36,721		33,66,04,672
TOTAL			288,85,05,992		233,87,14,343

D. CONSUMPTION OF RAW MATERIALS AND STORES AND SPARES

	Year ended 31 st March 2009		Year ended 31 st March 2008	
	%	Value (Rs.)	%	Value (Rs.)
(a) Raw Materials				
Imported	7.03	20,31,65,362	2.99	6,99,40,621
Indigenous	92.97	268,53,40,630	97.01	226,87,73,722
Total	100.00	288,85,05,992	100.00	233,87,14,343
(b) Stores and Spares				
Imported	—	—	—	—
Indigenous	100.00	1,81,26,016	100.00	1,62,57,158
Total	100.00	1,81,26,016	100.00	1,62,57,158

	Year ended 31.03.2009 Rs.	Year ended 31.03. 2008 Rs.
E. CIF value of imports - Raw materials	16,77,10,141	7,69,92,480
- Capital goods	2,58,52,662	—
F. Expenditure in Foreign Currency	93,551	42,399
G. Earnings in Foreign Exchange	Nil	2,43,92,177
H. i) No. of Non-Resident shareholders	13	14
ii) No. of shares held by them	29,950	17,245
iii) Dividend remitted in Foreign Currency	Nil	Nil

Note: Figures in brackets denote the corresponding figures for the previous year.

M.C. Paul
Chairman & Managing Director

R. Sankaranarayanan
Company Secretary-cum-General Manager (Finance)

P.K. Varghese

A.P. George

K.P. John

P.D. Anto

Executive Director

Director & Legal Advisor

Director

Director

As per our report of
even date attached
For Varma & Varma
Sd/-

(C. Pankajakshan)
Partner

Chartered Accountants
Membership No. 12948

June 30, 2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Information pursuant to Part IV of Schedule VI of the Companies Act, 1956)

1. Registration details		
Registration No.	:	02028 of 1963
State Code	:	09
Balance Sheet Date	:	31 st March 2009
2. Capital raised during the year		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
3. Position of Mobilisation and Deployment of Funds		(Rs. in '000s)
Total Liabilities	:	597321
Total Assets	:	597321
Sources of Funds		
Paid up Capital	:	32000
Reserves & Surplus	:	248333
Secured Loans	:	240436
Unsecured Loans	:	59472
Deferred Tax Liability (net)	:	17080
Application of Funds		
Net Fixed Assets	:	383741
Investments	:	750
Net Current Assets	:	212830
Miscellaneous Expenditure	:	Nil
Accumulated Losses	:	Nil
4. Performance of the Company		
Turnover (including other income)	:	3510339
Total Expenditure (adjusting Stock Differential)	:	3460265
Profit / Loss before tax	:	50074
Profit / Loss after tax	:	32054
Earnings per share (Rs.)	:	10.02
Dividend rate	:	50 %
5. Generic Names of three principal products of the company		
<i>Product Description</i>		<i>Item Code No.</i>
a) Solvent Extracted Coconut Oil	:	151311.00
b) Solvent Extracted Coconut Cake	:	230650.20
c) Compounded Animal feed	:	230990.10

M.C. Paul
Chairman & Managing Director

R. Sankaranarayanan
Company Secretary-cum-General Manager (Finance)

P.K. Varghese

A.P. George

K.P. John

P.D. Anto

Executive Director

Director & Legal Advisor

Director

Director

June 30, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2009

	Year ended 31.3.2009 Rs.	Year ended 31.3.2008 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extra ordinary items	5,00,74,606	4,21,32,689
Adjustments for:		
Depreciation	2,59,03,414	2,86,65,956
Interest on fixed loans	65,65,576	67,73,805
Fixed assets discarded written off	2,36,718	—
Profit on sale of assets	(25,00,817)	(13,61,434)
	<u>3,02,04,891</u>	<u>3,40,78,327</u>
Operating profit before working capital changes	8,02,79,497	7,62,11,016
Adjustments for		
Trade and other receivables	13,91,999	2,40,572
Inventories	(5,39,70,585)	2,87,50,329
Trade payables	72,81,918	84,33,625
	<u>(4,52,96,668)</u>	<u>3,74,24,526</u>
Cash generated from operations	3,49,82,829	11,36,35,542
Income tax paid	1,21,42,072	86,10,912
Net cash from operating activities (a)	<u>2,28,40,757</u>	<u>10,50,24,630</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(11,73,75,234)	(1,81,32,229)
Sale of fixed assets	38,87,983	47,12,822
Purchase/redemption of investments	(5,00,000)	—
Net cash used in investing activities (b)	<u>(11,39,87,251)</u>	<u>(1,34,19,407)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of bank borrowings	10,69,06,983	(6,42,07,854)
Grant-in-aid received	—	10,55,000
Acceptance / (Repayment) of public deposit	(50,11,000)	(1,06,12,000)
Interest on fixed loan	(65,65,576)	(67,73,805)
Dividend paid (including corporate dividend tax)	(1,33,78,227)	(39,47,724)
Net cash from financing activities (c)	<u>8,19,52,180</u>	<u>(8,44,86,383)</u>
Net increase/(decrease) in cash and cash equivalents (a+b+c)	<u>(91,94,314)</u>	<u>71,18,840</u>
Cash and cash equivalents at the beginning of the year	5,30,98,630	4,59,79,790
Cash and cash equivalents at the close of the year	4,39,04,316	5,30,98,630
Net increase / (decrease) as disclosed above	<u>(91,94,314)</u>	<u>71,18,840</u>

For and on behalf of the Board

Irinjalakuda
June 30, 2009

Sd/-
M.C. Paul
Chairman & Managing Director

SUMMARISED BALANCE SHEET FOR THE LAST FIVE YEARS

(Rs. in lakhs)

	2008-09	2007-08	2006-07	2005-06	2004-05
A. ASSETS					
1. Net Fixed Assets:					
Gross Fixed Assets	6450.64	5386.50	5315.72	5097.35	4104.11
Less Depreciation	2613.23	2447.57	2237.94	1977.33	1824.34
	3837.41	2938.93	3077.78	3120.02	2279.77
2. Investments	7.50	2.50	2.50	2.00	2.00
3. Current Assets	3270.91	2870.68	3063.73	4590.77	3137.42
	7115.82	5812.11	6144.01	7712.79	5419.19
B. LIABILITIES					
1. Loans and Debts	2999.08	1980.12	2728.32	3303.84	1540.56
2. Other Liabilities	1313.41	1162.01	883.55	1738.28	1343.09
	4312.49	3142.13	3611.87	5042.12	2883.65
C. NET WORTH (A-B)	2803.33	2669.98	2532.14	2670.67	2535.54
REPRESENTED BY					
1. Share Capital	320.00	320.00	320.00	320.00	320.00
2. Reserves and Surplus	2483.33	2349.98	2212.14	2350.67	2215.54
	2803.33	2669.98	2532.14	2670.67	2535.54

SUMMARISED PROFIT AND LOSS ACCOUNT FOR THE LAST FIVE YEARS

(Rs. in lakhs)

	2008-09	2007-08	2006-07	2005-06	2004-05
A. EARNED FROM					
1. Sales	35007.87	28947.50	27503.59	24030.84	21259.52
2. Other income	95.52	96.87	48.32	45.58	42.06
	35103.39	29044.37	27551.91	24076.42	21301.58
B. PAID AND PROVIDED FOR					
1. Raw materials and finished goods	28884.30	23383.29	22112.23	17917.64	15739.68
2. Manufacturing, administrative, selling and other expenses	3906.04	3620.51	4080.64	3944.80	3272.67
3. Employees' remuneration and benefits	1277.11	1081.41	1035.12	1012.25	947.09
4. Interest	276.17	251.18	217.79	156.78	99.84
5. Depreciation	259.03	286.66	281.25	156.95	156.58
	34602.65	28623.05	27727.03	23188.42	20215.86
C. PROFIT / (LOSS) BEFORE TAX (A-B)	500.74	421.32	(175.12)	888.00	1085.72
Less: Taxation	180.20	163.00	(74.02)	296.77	410.14
NET PROFIT / (LOSS)	320.54	258.32	(101.10)	591.23	675.58
APPROPRIATED TO					
1. Dividend	160.00	112.00	32.00	400.00	400.00
2. Corporate dividend tax	27.19	19.03	5.44	56.10	56.10
3. Retained in business	133.35	127.29	(138.54)	135.13	219.48
	320.54	258.32	(101.10)	591.23	675.58



Regd. Office : Solvent Road, Irinjalakuda, Kerala - 680 121

ATTENDANCE SLIP

ANNUAL GENERAL MEETING

Thursday, 27th August 2009 at 3.00 p.m.

Regd. Folio

DP ID No.

Client ID No.

I hereby record my presence in the Annual General Meeting at the
Registered Office, Solvent Road, Irinjalakuda.

.....
Members/Proxy's Signature

Strictly to be handed over at the time of the meeting and not to be sent by post.



Regd. Office : Solvent Road, Irinjalakuda, Kerala - 680 121

FORM OF PROXY

Regd. Folio

DP ID No.

Client ID No.

I / We
of being a Member/Members of
KSE Limited, hereby appoint
of or failing him
of or failing him
of as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company
to be held on Thursday, 27th August 2009 at 3.00 p.m. at the Registered Office, Solvent Road, Irinjalakuda and at any adjournment thereof.

Dated this..... day of2009

For Office use only

Proxy No.

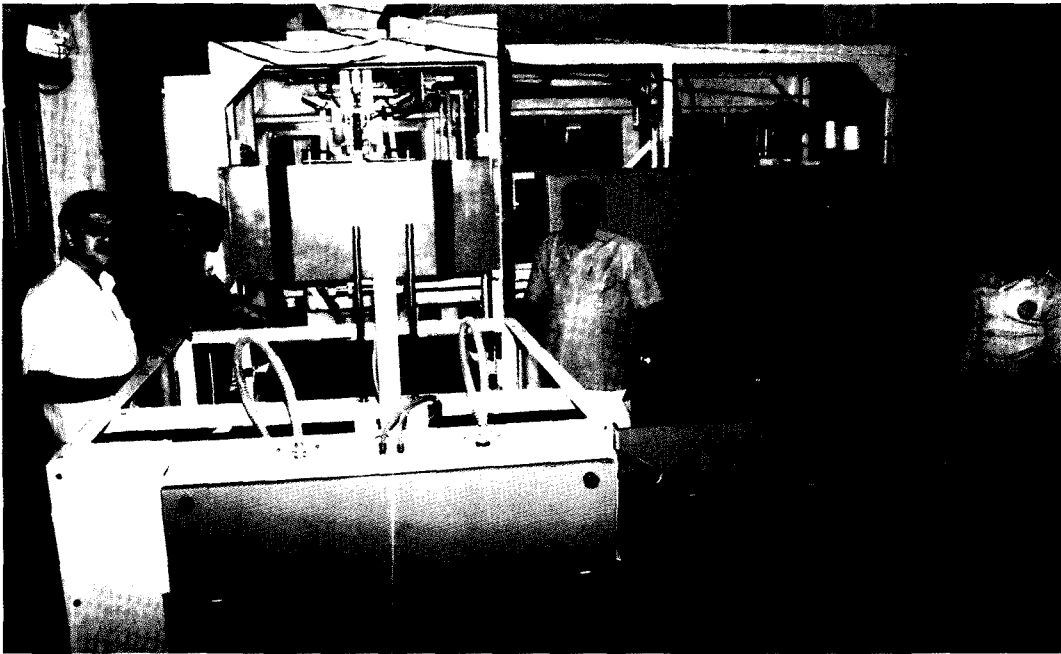
Reg. Folio

No. of Shares

Affix
15 paise.
Revenue
Stamp

- Notes:**
1. The form should be signed across the stamp as per specimen signature registered with the Company
 2. The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the Meeting.
 3. A Proxy need not be a Member.

IN TUNE WITH THE TIMES



CMD, CGM and others at the auto bagging station in the 500 tpd Feed Mill nearing completion at Irinjalakuda.

PRODUCTION UNITS

KERALA

KSE Limited
Irinjalakuda Unit, P.B. No. 20,
Solvent Road, Irinjalakuda - 680 121
Tel: 0480 2825476, 2825576, 2826676
Fax: 0480 2826075, 2825809 E-mail: kse@satyam.net.in

KSE Limited
Koratty Unit, KINFRA Park, Nalukettu Road,
Koratty - 680 308, Thrissur Dist.
Tel: 0480 3257651, 2735855, 2734590
Fax : 0480 2735855

KSE Limited
Vedagiri Unit, Kurumullur, Athirampuzha,
Kottayam Dist. - 686 632.
Tel: 0481 2536829, 2538718, 2538719
Fax: 0481 2536830

KSE Limited
Palakkad Unit, Othungode, Kerala,
Palakkad - 678 020
Tel: 0491 2536332, 2531858. Fax: 0491 2538451

KSE Limited
Dairy Unit, Konikkara, Marathakkara P.O.,
Thrissur - 680 320 Tel: 0487 2351501, 2358806
Fax: 0487 2356394

TAMIL NADU

KSE Limited
Swaminathapuram Unit, Swaminathapuram,
Dindigul Dist. - 642 113
Tel: 04252 252560, 252561, 252562, 252563
Fax: 04252 252565

KSE Limited
Dairy Unit, Thalayuthu
Tamil Nadu - 624 618 Tel: 04252 252861
Fax: 04252 252860

PRODUCTION UNITS - OUT SOURCED

KSE Limited
V/679 J, Muppatahdam P.O., Edayar,
Kochi - 683 110. Tel: 0484 2541070, 2559362

KSE Limited
NIDA, Menonpara Road, Kanjikode,
Palakkad - 678 621
Tel: 0491 2803244

BRANCH

KSE Limited
XXXIII / 2837, Paropadi, Merikkunnu P.O.,
Kozhikode - 673 012. Tel: 0495 2370056, 2900194



Corporate Office: P.B. No.: 20, Solvent Road, Irinjalakuda, Kerala - 680 121
Tel: 0480 2825476, 2826676 Fax : 0480 2826075, 2825809 E-mail: kse@satyam.net.in Website: www.kselimited.com