

NURTURING EXCELLENCE, GARNERING SUCCESS





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

**Auditors**  
M/s. Varma & Varma,  
(Firm No.004532 S)  
Chartered Accountants,  
Thrissur.

**Bankers**  
ICICI Bank Limited

**Registrars and Share Transfer Agents**  
M/s. S.K.D.C. Consultants Limited,  
Kanapathy Towers, 3rd Floor,  
1391/A-1, Sathy Road,  
Ganapathy,  
Coimbatore – 641006

**Annual General Meeting**  
On Tuesday,  
31st July, 2012 at 3.00 p.m.

**Venue**  
Registered Office,  
Solvent Road, Irinjalakuda.

**Chairman and Managing Director**  
M.C. Paul

**Executive Director**  
P.K. Varghese

**Director and Legal Advisor**  
A.P. George

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

**Chief General Manager**  
Anand Menon

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



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## Financial Highlights

|   | 2011-2012       | 2010-2011  |
|---|-----------------|------------|
|   | ₹ in Lakhs      | ₹ in Lakhs |
| Sales and other income                                      | <b>54336.28</b> | 45436.07   |
| Gross Profit (Profit before Depreciation and Finance costs) | <b>2387.83</b>  | 1446.98    |
| Profit before tax   | <b>1587.04</b>  | 667.31     |
| Net profit after tax  | <b>1044.93</b>  | 449.81     |
| Shareholders' Equity (Net worth)                            | <b>3971.18</b>  | 3335.35    |
| Capital employed  | <b>4898.67</b>  | 4498.23    |
| Gross fixed assets  | <b>7308.62</b>  | 7194.27    |
|   | ,               | ,          |
| Shareholders' equity per share                              | <b>124.10</b>   | 104.23     |
| Earnings per share of ₹ 10 each                             | <b>32.65</b>    | 14.06      |
| Dividend rate   | <b>110%</b>     | 100%       |



Regd. Office : Solvent Road, Irinjalakuda - 680 121

## NOTICE OF THE MEETING

Notice is hereby given that the 48<sup>th</sup> Annual General Meeting of KSE Limited, Irinjalakuda will be held at the Registered Office of the Company on Tuesday, the 31<sup>st</sup> July, 2012 at 3.00 p.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2012, Statement of Profit and Loss 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. John Francis K., who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri T.R. Ragulal, 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 Shri P.K. Varghese as Executive Director of the Company for a further term of three years with effect from 1<sup>st</sup> November, 2012 on a remuneration of ₹ 70,000 (Rupees Seventy Thousand Only) per month in the scale of ₹ 70,000 - 3,000 - 76,000 along with bonus and perquisites as mentioned herein below, within 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 ₹ 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, 2012 and payment of a sum of ₹ 16,000 (Rupees Sixteen 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.”

By Order of the Board  
For KSE Limited

Sd/-

R.Sankaranarayanan

Company Secretary-cum-General Manager (Finance)

Irinjalakuda  
May 30, 2012

## 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 24<sup>th</sup> July 2012 to 31<sup>st</sup> July 2012 (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 31<sup>st</sup> July, 2012. 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 23<sup>rd</sup> July, 2012.
5. The members are requested to address all correspondences, including dividend matters and change in their addresses, to M/s. S.K.D.C. Consultants Limited, Registrars and Share Transfer Agents, Kanapathy Towers, 3<sup>rd</sup> Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006.
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 them shall vest in the event of their 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 31<sup>st</sup> March 2005 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:
- Shri K.P. John, M.A. LLB. aged 85 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.
  - Shri John Francis K. aged 55 hails from a respectable business family of Irinjalakuda engaged primarily in oil mill industry. He has gained good experience in oil milling through his family business. He has joined as Director of the Company with effect from 1.11.1994 and is servicing the Company as Director for the past 17 years. He is also acting as a member of the Shareholders'/Investors' Grievance Committee of the Company with effect from 28.09.2002.
  - Shri. T.R. Ragulal, aged 50 has secured his B.B.A. from University of Pennsylvania, U.S.A.. He hails from a respectable business family of Trichur. He is currently the Managing Director of M/s. Yamuna Roller Flour Mills Pvt. Limited and Elite Foods Pvt. Ltd. He had acted as Chairman of the Kerala State Committee of Confederation of Indian Industries during 2004-2005. He has joined as a Director of the Company effective from 31.01.2002. He is also acting as a member of the Shareholders'/Investors' Grievance Committee of the Company with effect from 28.09.2002.

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

##### **Item 7**

Shri. P.K. Varghese, aged 66, is a 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 31.08.2007. From 1st September, 2007 he is acting as Executive Director and he was reappointed as Executive Director for a period of three years from 1<sup>st</sup> November, 2009 on a remuneration of ₹ 45,000 per month in the Scale of ₹ 45,000-2,500-50,000 along with perquisites which was approved by the shareholders at the Annual General Meeting held on 27<sup>th</sup> August, 2009. Considering the general increase in remuneration across the Industry, at the Annual General Meeting held on 28<sup>th</sup> July, 2011 the remuneration payable to Shri. P.K. Varghese has been enhanced to ₹ 65,000 per month from 1st August, 2011 to the remaining period of his appointment.

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, 2012. 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 Shri P.K. Varghese be reappointed as Executive Director of the Company for a period of three years with effect from 1st November, 2012 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**

Shri A.P. George was appointed as Director and Legal Advisor of the Company for a period of three years from 1.11.2009 on a professional fee of ₹ 11,000 per month towards the professional services rendered by him to the Company as an Advocate. Since the volume of work has increased considerably, at the Annual General Meeting held on 28<sup>th</sup> July, 2011 the professional fee payable to him has been enhanced to ₹ 14,000 per month. His term of appointment as Director and Legal Advisor of the Company expires on 31st October, 2012. 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 Shri. A.P. George be reappointed as Director and Legal Advisor of the Company for a further period of three years from 1st November, 2012 on a monthly professional fee of ₹ 16,000 plus reimbursement of actual expenses incurred by him while rendering such legal services. The Central Government has already given their opinion in terms of Section 309 (1) of the Companies Act, 1956 that Shri. A.P. George possesses the requisite qualifications for payment of fee for professional services rendered as an advocate of the Company. Since Shri. 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.

Shri. 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.

## DIRECTORS' REPORT

Your Directors are pleased to present the 48<sup>th</sup> Annual Report and the audited accounts for the financial year ended 31<sup>st</sup> March 2012.

### Financial Highlights

(₹ in lakhs)

|  | For the year<br>ended 31.03.2012 | For the year<br>ended 31.03.2011 |
|--|----------------------------------|----------------------------------|
| Profit before Finance costs, Depreciation and amortisation expenses and Tax expenses | <b>2,387.83</b>                  | 1,446.98                         |
| Less : Finance Costs   | <b>341.32</b>                    | 323.82                           |
| Depreciation and amortisation expenses   | <b>459.47</b>                    | 455.85                           |
| Tax expenses   | <b>542.11</b>                    | 217.50                           |
|  | <b>1,342.90</b>                  | 997.17                           |
| Profit after tax for the current year  | <b>1,044.93</b>                  | 449.81                           |
| Opening balance of Surplus   | <b>224.36</b>                    | 246.46                           |
|  | <b>1,269.29</b>                  | 696.27                           |
| Appropriations:  |                                  |                                  |
| Transfer to General reserve  | <b>600.00</b>                    | 100.00                           |
| Dividend   | <b>352.00</b>                    | 320.00                           |
| Corporate Dividend tax   | <b>57.10</b>                     | 51.91                            |
|  | <b>1009.10</b>                   | 471.91                           |
| Closing balance of Surplus   | <b>260.19</b>                    | 224.36                           |

### Dividend

Considering the profits for the current year, your Directors recommend a dividend of 110% (₹ 11.00 per share of ₹ 10 each) for the year ended 31<sup>st</sup> March, 2012 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 31.07.2012. 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 23.07.2012.

### Operations

The turnover of the Company improved from ₹ 454 crores to ₹ 542 crores during the year ended 31<sup>st</sup> March, 2012, thus registering an increase of 19 % over that of previous year. Cattle feed sales volume improved from 3.20 lakhs tonnes to 3.66 lakhs tonnes by recording a growth of 14 %. The Animal feed division generated a profit of ₹ 1533.88 lakhs against ₹ 397.73 lakhs in the previous year. The volume of cake processing improved from 62,000 tonnes in the previous year to 73,000 tonnes in the year under report. However, as a result of fall in the price of coconut oil by around 40 % at a time when we had around 10,000 tonnes of imported copra cake on hand, the profit of cake processing division experienced a fall in profit from ₹ 481.30 lakhs in the previous year to ₹ 291.64 lakhs during the year 2011-12. In the Dairy division, the volume of sale of ice cream remained more or less at the same levels that of previous year at 865 kl. The profit of Dairy division for the year 2011-12 is ₹ 96.99 lakhs, which was at ₹ 145.03 lakhs in the previous year. The over-all profit after tax thereby improved from ₹ 449.81 lakhs in year 2010-11 to ₹ 1,044.93 lakhs in the year under report.

As a result of increase in railway freight and introduction of service tax on railway freight in March, 2012, the prices of major ingredients have gone up by around ₹ 750 per tonne. We do not expect a significant fall in the cost of cattle feed ingredients in the immediate future. We have adjusted the selling prices of feed, to match the increase in ingredient prices. We firmly believe that the sales volume of cattle feed will further improve in the current financial year. We expect to better our performance in Animal feed division, by optimising the feed formulation and making suitable adjustments in the selling prices along with the ingredient prices.

At present we are getting sufficient quantity of local copra cake at reasonable price. If the price of coconut oil and copra cake remains at this level and sufficient quantity is available in the market for processing, in the current year, we expect to better our performance.

We are taking all steps to improve the market for ice cream. We are appointing new dealers in untapped areas to improve the volume of sales and thereby utilise more of the unused production capacity. We expect to improve the volume of sale of ice cream and thereby better the margins of Dairy division in the current year.

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

The office of Koratty Unit has been shifted to the new administrative building costing ₹ 66 lakhs in November, 2011. A new silo for storage of material costing ₹ 35 lakhs has been added in Irinjalakuda Unit. A new tailor made ERP has been implemented in all Units and an amount of ₹ 101 lakhs has been incurred thereto including hardware.

For the future development and expansion of Irinjalakuda Unit, negotiations for acquiring adjacent properties of around 72 Ares are at final stages, which may involve a capital outlay of around ₹ 5.70 crores.

## 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 2010-11. This Award is being received by the Company for the past 21 years consecutively since the inception of the award.

## Directors

Shri. K. P. John, Shri John Francis K. and Shri T.R. Ragulal 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  
May 30, 2012

## 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               |                           | VEDAGIRI UNIT               |
|--|-------------------------------|-------------------------------|-------------------------------|---------------------------|-----------------------------|
|  | Milk                          | Ice Cream                     | Milk                          | Ice Cream                 | Ice cream*                  |
| <b>A. Power and Fuel consumption</b>         |                               |                               |                               |                           |                             |
| Electricity                                  |                               |                               |                               |                           |                             |
| (a) Purchased                                |                               |                               |                               |                           |                             |
| Unit (Kwh)                                   | <b>4,74,299</b><br>(5,00,144) | <b>3,27,627</b><br>(2,75,770) | <b>1,38,576</b><br>(1,48,541) | <b>81,284</b><br>(84,676) | <b>1,74,980</b><br>(985)    |
| Total Amount (₹ in lakhs)                    | <b>18.49</b><br>(20.00)       | <b>12.78</b><br>(11.02)       | <b>8.00</b><br>(8.03)         | <b>4.69</b><br>(4.57)     | <b>6.88</b><br>(0.05)       |
| Rate/unit (₹ /Kwh)                           | <b>3.90</b><br>(4.00)         | <b>3.90</b><br>(4.00)         | <b>5.77</b><br>(5.40)         | <b>5.77</b><br>(5.40)     | <b>3.93</b><br>(5.20)       |
| (b) Own Generation- Diesel Genset            |                               |                               |                               |                           |                             |
| Unit (Kwh)                                   | <b>34,541</b><br>(41,233)     | <b>23,859</b><br>(22,729)     | <b>31,081</b><br>(14,807)     | <b>18,231</b><br>(8,441)  | <b>3,738</b><br>(60)        |
| Unit (Kwh) / Litre of Diesel                 | <b>2.81</b><br>(2.72)         | <b>2.81</b><br>(2.72)         | <b>3.24</b><br>(2.82)         | <b>3.24</b><br>(2.82)     | <b>2.08</b><br>(2.40)       |
| Cost/Unit (₹ /Kwh)                           | <b>15.83</b><br>(15.17)       | <b>15.83</b><br>(15.17)       | <b>13.73</b><br>(14.15)       | <b>13.73</b><br>(14.15)   | <b>20.94</b><br>(16.90)     |
| <b>B. Consumption per Unit of Production</b> |                               |                               |                               |                           |                             |
| Electricity                                  |                               |                               |                               |                           |                             |
| (a) Production / Processing (KL)             | <b>4,404</b><br>(5,232)       | <b>666</b><br>(710)           | <b>3,779</b><br>(3,246)       | <b>140</b><br>(157)       | <b>70</b><br>(2)            |
| Consumption per KL (Kwh)                     | <b>115.54</b><br>(103.47)     | <b>527.76</b><br>(420.42)     | <b>44.89</b><br>(50.32)       | <b>710.82</b><br>(593.10) | <b>2,553.11</b><br>(522.50) |

\* The ice cream unit at Vedagiri commenced production only on 28<sup>th</sup> March, 2011 and the figures for the previous year are not comparable.

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

### B) Technology Absorption

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

### C) Foreign Exchange Earnings and Outgo

|                           | 2011-2012<br>₹ in lakhs | 2010-2011<br>₹ in lakhs |
|---------------------------|-------------------------|-------------------------|
| Foreign Exchange Earnings | Nil                     | Nil                     |
| Foreign Exchange Outgo    | <b>2,235.81</b>         | <b>1,324.70</b>         |

## 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 2011-2012, the Board met 11 times, on 28/04/2011, 30/05/2011, 30/06/2011, 28/07/2011, 30/08/2011, 29/09/2011, 31/10/2011, 30/11/2011, 29/12/2011, 31/01/2012 and 29/02/2012.

The details of members of the Board, number of equity shares of the Company held by them as on 31.03.2012, number of Board Meetings attended by them during the financial year 2011-12, 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 28.07.2011 | No. of other Directorships* |          | Committee Memberships |          |
|---------|--|------------------------------|--------------------|--------------------------------|---|-----------------------------|----------|-----------------------|----------|
|         |  |                              |                    |                                |   | Director                    | Chairman | Member                | Chairman |
| 1.      | Mr. M.C. Paul<br>Chairman and<br>Managing Director | Executive                    | 37,238             | 11                             | Present                                   | —                           | —        | —                     | —        |
| 2.      | Mr. P.K. Varghese<br>Executive Director            | Executive                    | 8,800              | 11                             | Present                                   | —                           | —        | —                     | —        |
| 3.      | Mr. A.P. George<br>Director and<br>Legal Advisor   | Non-Executive                | 58,191             | 11                             | Present                                   | 1                           | —        | —                     | —        |
| 4.      | Mr. K.P. John<br>Director                          | Non-Executive<br>Independent | 10,260             | 10                             | Present                                   | —                           | —        | —                     | —        |
| 5.      | Dr. K.C. Vijayaraghavan<br>Director                | Non-Executive<br>Independent | 43,250             | 11                             | Present                                   | —                           | —        | —                     | —        |
| 6.      | Mr. T.R. Ragulal<br>Director                       | Non-Executive<br>Independent | 15,708             | 4                              | Present                                   | —                           | —        | —                     | —        |
| 7.      | Mr. P.D. Anto<br>Director                          | Non-Executive<br>Independent | 2,800              | 11                             | Present                                   | —                           | —        | —                     | —        |
| 8.      | Mr. John Francis K.<br>Director                    | Non-Executive                | 18,120             | 10                             | Present                                   | —                           | —        | —                     | —        |
| 9.      | Dr. Jose Paul Thaliyath<br>Director                | Non-Executive<br>Independent | 21,080             | 11                             | Present                                   | —                           | —        | —                     | —        |
| 10.     | Mr. Joseph Xavier<br>Director                      | Non-Executive<br>Independent | 11,000             | 11                             | 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 Dr. Jose Paul Thaliyath. The Audit Committee had met four times in the year 2011-12 and the attendance of each member of the Committee was as follows:

| Date of Meeting | Members       |                         |                         |
|-----------------|---------------|-------------------------|-------------------------|
|                 | Mr. K.P. John | Dr. K.C. Vijayaraghavan | Dr. Jose Paul Thaliyath |
| 25/05/2011      | Present       | Present                 | Present                 |
| 27/07/2011      | Present       | Present                 | Present                 |
| 25/10/2011      | Present       | Present                 | Present                 |
| 25/01/2012      | Present       | Present                 | Present                 |

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. During the year 2011-12 Remuneration Committee had met once on 18/05/2011. 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 2011-12 are as follows:

|                            |                                | Salary and allowances<br>₹ in lakhs | Other Benefits<br>₹ in lakhs | Professional fees<br>₹ in lakhs | Sitting fees<br>₹ in lakhs | Total<br>₹ in lakhs |
|----------------------------|--------------------------------|-------------------------------------|------------------------------|---------------------------------|----------------------------|---------------------|
| 1. Mr. M.C. Paul           | Chairman and Managing Director | 18.85                               | 2.51                         |                                 |                            | 21.36               |
| 2. Mr. P.K. Varghese       | Executive Director             | 11.36                               | 1.44                         |                                 |                            | 12.80               |
| 3. Mr. A.P. George         | Director and Legal Advisor     |                                     |                              | 1.56                            | 1.61                       | 3.17                |
| 4. Mr. K.P. John           | Director                       |                                     |                              |                                 | 1.25                       | 1.25                |
| 5. Dr. K.C. Vijayaraghavan | Director                       |                                     |                              |                                 | 0.74                       | 0.74                |
| 6. Mr. T.R. Ragulal        | Director                       |                                     |                              |                                 | 0.30                       | 0.30                |
| 7. Mr. P.D. Anto           | Director                       |                                     |                              |                                 | 1.39                       | 1.39                |
| 8. Mr. John Francis K.     | Director                       |                                     |                              |                                 | 0.66                       | 0.66                |
| 9. Dr. Jose Paul Thaliyath | Director                       |                                     |                              |                                 | 0.76                       | 0.76                |
| 10. Mr. Joseph Xavier      | Director                       |                                     |                              |                                 | 0.74                       | 0.74                |

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 Mr. Joseph Xavier 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. During the year 2011-12, one complaint was received from a shareholder and the complaint received was redressed. No complaint/query was pending reply and no share transfer was pending for registration. The Shareholders'/Investors' Grievance Committee had met four times in the year 2011-12 and it was attended as follows:

| Date of Meeting | Members         |               |                  |                     |                   |
|-----------------|-----------------|---------------|------------------|---------------------|-------------------|
|                 | Mr. A.P. George | Mr. P.D. Anto | Mr. T.R. Ragulal | Mr. John Francis K. | Mr. Joseph Xavier |
| 30/05/2011      | Present         | Present       | Present          | —                   | Present           |
| 28/07/2011      | Present         | Present       | Present          | Present             | Present           |
| 31/10/2011      | Present         | Present       | —                | Present             | Present           |
| 31/01/2012      | Present         | Present       | Present          | Present             | Present           |

## 6. General Body Meetings

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

| Name of Meeting                         | Date and Time                 |              | Venue   |
|---|-------------------------------|--------------|---|
| 45 <sup>th</sup> Annual General Meeting | 27 <sup>th</sup> August, 2009 | at 3.00 p.m. | KSE Limited, Registered Office,<br>Solvent Road, Irinjalakuda - 680 121 |
| 46 <sup>th</sup> Annual General Meeting | 29 <sup>th</sup> July, 2010   | at 3.00 p.m. |   |
| 47 <sup>th</sup> Annual General Meeting | 28 <sup>th</sup> July, 2011   | at 3.00 p.m. |   |

In the 45<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> August, 2009 special resolutions were passed for (1) reappointment and remuneration of Mr. P.K. Varghese as Executive Director of the Company (2) reappointment and fixation of professional fee of Mr. A.P. George as Director and Legal Advisor of the Company and (3) approval of enhancement of remuneration of Mr. P.K. Varghese for the period from 1<sup>st</sup> November, 2008 to 31<sup>st</sup> October, 2009.

In the 46<sup>th</sup> Annual General Meeting held on 29<sup>th</sup> July, 2010 no special resolution was passed.

In the 47<sup>th</sup> Annual General Meeting held on 28<sup>th</sup> July, 2011 special resolutions were passed for (1) reappointment and remuneration of Mr. M.C. Paul as Managing Director of the Company (2) enhancement of remuneration of Mr. P.K. Varghese, Executive Director and (3) enhancement of professional fee of Mr. A.P. George, Director and Legal Advisor 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

- 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 transactions 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. 29.9 of Notes to the Annual Accounts.

- ii) **Disclosure of Accounting Treatment:** In the preparation of financial statements, the accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 are complied with, and 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](http://www.kselimited.com).

## 10. General Shareholder Information

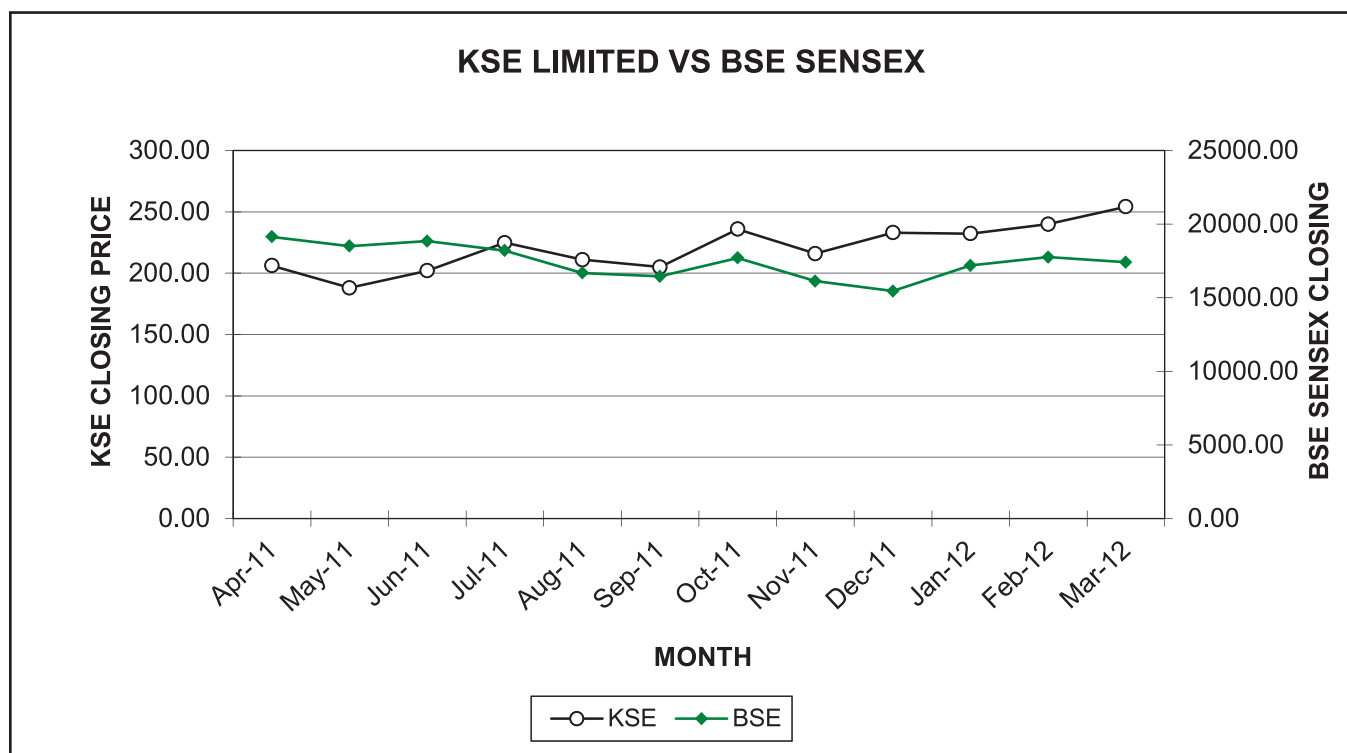
- |   |  |
|---|--|
| i) AGM - Date, time and venue                               | 31 <sup>st</sup> July, 2012 at 3.00 p.m.<br>KSE Limited, Registered Office,<br>Solvent Road, Irinjalakuda - 680 121. |
| ii) Financial Year  | 1 <sup>st</sup> April to 31 <sup>st</sup> March  |
| Unaudited Results for First Quarter                         | On or before 14 <sup>th</sup> August, 2012   |
| Unaudited Results for Second Quarter                        | On or before 14 <sup>th</sup> November, 2012   |
| Unaudited Results for Third Quarter                         | On or before 14 <sup>th</sup> February, 2013   |
| Audited Results for year ending 31 <sup>st</sup> March 2013 | On or before 30 <sup>th</sup> May, 2013  |
| iii) Book Closure Date                                      | 24 <sup>th</sup> July, 2012 to 31 <sup>st</sup> July, 2012<br>(both days inclusive)                                  |
| iv) Dividend Payment Date                                   | within 20 days from the date of Annual General Meeting<br>(if declared at the Annual General Meeting)                |
| v) Listing on Stock Exchanges                               | Cochin, Mumbai and Madras Stock Exchanges<br>(permitted to be traded in NSE also,<br>as per arrangement with MSE)    |
| vi) Stock Code  |  |
| Cochin Stock Exchange Ltd.                                  | KSE  |
| The Stock Exchange, Mumbai                                  | 519421   |
| Madras Stock Exchange Ltd.                                  | KSE  |
| National Stock Exchange                                     | KSE  |



vii) Market Price Data  
During Financial year 2011-2012  
(based on BSE data)

| Month     | High (₹) | Low (₹) |
|-----------|----------|---------|
| April     | 219.95   | 163.30  |
| May       | 217.00   | 170.00  |
| June      | 210.90   | 189.15  |
| July      | 244.95   | 198.00  |
| August    | 245.90   | 200.00  |
| September | 244.00   | 197.00  |
| October   | 243.00   | 203.05  |
| November  | 251.00   | 210.00  |
| December  | 247.50   | 203.00  |
| January   | 254.00   | 210.00  |
| February  | 250.00   | 228.00  |
| March     | 267.50   | 230.00  |

viii) Performance of Share Price in comparison with BSE Sensex during 2011-2012



ix) Registrars and Share Transfer Agents  
(both for physical and demat segment)

M/s. S.K.D.C. Consultants Limited  
Kanapathy Towers, 3<sup>rd</sup> Floor,  
1391/A-1, Sathy Road,  
Ganapathy,  
Coimbatore - 641 006.  
Telephone : 0422 6549995, 2539835-836  
Fax : 0422 2539837  
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 <sup>st</sup> March 2012 |                    | As at 31 <sup>st</sup> March 2011 |                    |
|--------------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|
|                          | No. of shares held                | % of share holding | No. of shares held                | % of share holding |
| Promoter's Holding       |                                   |                    |                                   |                    |
| Indian Promoters         | <b>10,34,916</b>                  | <b>32.34</b>       | 10,31,589                         | 32.24              |
| Sub Total                | <b>10,34,916</b>                  | <b>32.34</b>       | 10,31,589                         | 32.24              |
| Non Promoter's Holding   |                                   |                    |                                   |                    |
| Banks                    | —                                 | —                  | —                                 | —                  |
| Private Corporate Bodies | <b>5,76,088</b>                   | <b>18.00</b>       | 5,84,001                          | 18.25              |
| Indian Public            | <b>15,66,577</b>                  | <b>48.96</b>       | 15,56,123                         | 48.63              |
| NRIs/OCBs                | <b>22,419</b>                     | <b>0.70</b>        | 28,287                            | 0.88               |
| Sub Total                | <b>21,65,084</b>                  | <b>67.66</b>       | 21,68,411                         | 67.76              |
| Grand Total              | <b>32,00,000</b>                  | <b>100.00</b>      | 32,00,000                         | 100.00             |

xii) Distribution of share holding

| No. of shares held | As at 31 <sup>st</sup> March 2012 |               |                  |               | As at 31 <sup>st</sup> March 2011 |        |               |        |
|--------------------|-----------------------------------|---------------|------------------|---------------|-----------------------------------|--------|---------------|--------|
|                    | No. of Folios                     | %             | No. of shares    | %             | No. of Folios                     | %      | No. of shares | %      |
| 1 to 500           | <b>3,893</b>                      | <b>85.71</b>  | <b>5,32,608</b>  | <b>16.64</b>  | 3,996                             | 85.66  | 5,46,919      | 17.09  |
| 501 to 1000        | <b>233</b>                        | <b>5.13</b>   | <b>1,81,456</b>  | <b>5.67</b>   | 248                               | 5.32   | 1,94,267      | 6.07   |
| 1001 to 5000       | <b>309</b>                        | <b>6.81</b>   | <b>6,75,737</b>  | <b>21.12</b>  | 317                               | 6.80   | 6,95,901      | 21.75  |
| 5001 to 10000      | <b>51</b>                         | <b>1.12</b>   | <b>3,40,221</b>  | <b>10.63</b>  | 52                                | 1.11   | 3,54,499      | 11.08  |
| 10001 and above    | <b>56</b>                         | <b>1.23</b>   | <b>14,69,978</b> | <b>45.94</b>  | 52                                | 1.11   | 14,08,414     | 44.01  |
| Total              | <b>4,542</b>                      | <b>100.00</b> | <b>32,00,000</b> | <b>100.00</b> | 4,665                             | 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 31.03.2012 is 17,12,513 - 53.52 % (as on 31.03.2011 - 13,18,423 - 41.20 %).

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  
May 30, 2012

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. *Industry Structure and Development*

In the Animal feed division, the prices of all major ingredients are going up steadily over the past few years. In the previous years, due to State Government's interference, the retail price of milk was kept at uneconomical levels and the farmers could not absorb any increase in the feed prices. As a result thereof, we faced problems in adjusting our selling price in tune with the ingredient prices. However, in the year under report, the milk price was revised reasonably, and then, we could adjust the feed price in line with ingredient prices. The competing brands controlled by the State Government holding their feed prices for reasons other than economical is another issue that affects our flexibility in adjusting the feed prices. Prudent purchase policy, fine-tuning of selling price, trimming overheads, etc. are in place to counter-balance the same.

In the Oil cake processing division, there was gradual fall in the price of coconut oil from ₹ 100/kg. level to ₹ 60/kg. level in 2011-12. During the period of fall in the price of coconut oil, which was against our expectation, we had a stock of around 10,000 tonnes of imported cake in hand, procured at a higher rate. This has affected the profitability of that Division. Consequently, the Oil cake processing division earned a profit of ₹ 291.64 lakhs compared to ₹ 481.30 lakhs in the previous year.

Dairy division maintained the sales volume of ice cream at previous year levels. However, the margin for that Division was ₹ 96.99 lakhs compared to ₹ 145.03 lakhs in the previous year. We are taking steps to improve the sales in the regions attached to Thalayuthu and Vedagiri ice cream production units, and thus improve the capacity utilisation in those two units.

### 2. *Opportunities and Threats*

The advantages to your Company in Cattle feed and Solvent industry are (1) its vast experience in those industries for about 40 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) exemption 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 fuel price increasing the price of ingredients manifold (4) the volatile rupee Vs. dollar situation acts as a non-stimulant in import transactions (5) granting of subsidy on animal feed by the Government selectively avoiding private manufacturers (6) 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 (7) switching of crop by farmers from oil seeds and grains, required by us as ingredients, to other crops (8) these two segments being highly labour oriented, especially in handling the raw material and finished goods, there is severe shortage in availability of manual labour locally 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 threats to the industry are (1) unhealthy competition from small players who are producing inferior quality products and (2) entry of big players including multinational corporations in the market catered by your Company (3) Excise duty on ice cream has been increased to 2 % from 1 % effective from 17th March, 2012 and the Government may enhance the rate further, in future.

### 3. *Segmentwise Productwise Performance*

In the previous year in Animal feed division, we had constrained ourself by absorbing a portion of the increase in the ingredient prices, to retain the growing market. The patience shown by the Company during those difficult times had borne fruits in the year under review. We could increase the sale of Animal feed from 3.20 lakhs tonnes to 3.66 lakhs tonnes in the year under report. The profit of the segment also improved from ₹ 397.73 lakhs to ₹ 1,533.88 lakhs in the year under report. To meet the increasing demand, which we are unable to fulfil with the existing capacity, steps are being taken to increase the production capacity of Animal Feed.

The processing of cake in Oil cake processing division improved by 17.74 % from 62,000 tonnes to 73,000 tonnes. The unexpected fall in price of coconut oil from around ₹ 100/kg. to around ₹ 60/kg. at a time when we had heavy stock of imported copra cake in the pipeline, accumulated as part of strategic planning, had seriously affected the margins of that Division. The profit of that Division has recorded a fall from ₹ 481.30 lakhs to ₹ 291.64 lakhs in the year under report.

In the Dairy division, the volume of sale of ice cream, compared to previous year, remained more or less at same level of 865 kl. However, there is a strain in the profits of that division due to increase in the ingredient prices, and lesser utilisation of capacities in Thalayuthu and Vedagiri ice cream units.

#### 4. **Outlook**

The Animal feed division is expected to perform well in year 2012-13 also, though there is high volatility in the ingredient prices. There is good demand for the feed, and we are unable to meet the demand in certain pockets. We are adding capacities to meet the increased demand. The increase in the price of milk by the Government of Kerala, will help to boost the cattle rearing, and we expect a steady demand in year 2012-13. Adjustment in feed price, to match the ingredient prices, will be possible, without losing the market share, when the demand is steady. Good quality copra cake is available now as per requirement from Kerala and Tamil Nadu at reasonable price and the dependency on import has reduced to that extent. The imported material is inferior in quality compared to locally available cake and are subjected to risk of fluctuation in the exchange rate of dollar. Irrespective of the fall in the price of coconut oil from ₹ 100 /kg. to around ₹ 60 /kg., if the availability of local copra cake continues, the performance in the Oil cake processing division in year 2012-13 will be better. We are trying to utilise the capacities for ice cream in Thalayuthu and Vedagiri ice cream units and once we are able to improve the volume, the Dairy division will generate higher revenue.

#### 5. **Risks and Concerns**

It is reasonably expected that all the prime divisions, namely the Animal feed division, the Oil cake processing division and the Dairy division will perform better in the year 2012-13. As regards Animal feed, we are mainly depending on materials from northern States and the same are transhipped by rail. Immediately before the presentation of railway budget 2012-13, the railway freight for carrying ingredients required for Animal feed has been increased steeply at around ₹ 500 per tonne, which works out to 25% increase. Over and above this along with the Finance Budget for 2012-13, the Central Government imposed service tax on railway freight at the rate of 12% which works out to an increase around Rs. 250 per ton in the ingredient prices. Off late, the price of all major ingredients show a tendency to increase, and profitability is at strain. We are also working hard to combat the issue by suitable adjustment in the selling price of Animal feed. Since the price of milk has been rationalised, more and more farmers are coming to cattle breeding. There is good demand for Animal feed, both in Kerala and Tamil Nadu, and we are finding it difficult to meet the demand. We are increasing the production capacity in Palakkad Unit and further, negotiating for a third party production arrangement in the southern part of Kerala and another in the border of Tamil Nadu. An upcoming feed mill in south Kerala in the Government Sector may affect our volumes for a while, and we are hopeful of managing the same through our well-knit distribution system and excellent after sales services. The price of coconut oil has eased from ₹ 100/kg. level to around ₹ 60/kg. As a result, the profitability of Oil cake processing division has affected. The price of Copra cake is also falling in line, and we are expecting a better profitability in the year ahead. 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 continuously 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 by the Audit Committee.

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

The total turnover during the year under review improved by 19.52 % compared to immediately preceding year. A portion of this is as a result of increase in the selling price of cattle feed, but at the same time the sale volume of cattle feed has gone up by 14.28 % compared to previous year. The after tax profits of the Company shot up by 132.30 % during the year 2011-12, which has touched ₹ 1,044.93 lakhs as against the after tax profit for the previous year at ₹ 449.81 lakhs. The volume of processing of Copra Cake also improved by 17.74 %. However, there is a decline in the profit of that division compared to previous year, due to reasons discussed above. The volume of sales of ice cream was maintained as that of previous year. However, there is a decline in the profitability of Dairy division, due to steep rise in the price of ingredients of ice cream. Strategical efforts have been taken to improve the production and sale volume of ice cream.

## 8. **Industrial Relation**

The Company has 920 employees on its rolls as on 31.3.2012. The Company is an exception to the adverse labour conditions existing in Kerala. During its working of 40 years, the Company had lost only few man-days by labour unrest. Settlement with the Unions at Vedagiri and Swaminathapuram Units for a period of three years have been arrived at, and peaceful performance is expected in all Units. There were no labour issues in any of the Units of the Company. 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 judgement. 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  
May 30, 2012

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 31<sup>st</sup> March 2012 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 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  
May 30, 2012

For **VARMA & VARMA**  
(Firm No. 004532 S)  
Sd/-  
**(C. Pankajakshan, M. No. 12948)**  
Partner  
Chartered Accountants

## AUDITORS' REPORT

To

The Members of KSE Limited  
Irinjalakuda

We have audited the attached Balance Sheet of KSE LIMITED as at 31<sup>st</sup> March 2012, Statement of Profit and Loss 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss 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 31<sup>st</sup> March 2012 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 31<sup>st</sup> March 2012;
    - (b) in the case of the Statement of Profit and Loss, 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  
May 30, 2012

For **VARMA & VARMA**  
(Firm No. 004532 S)  
Sd/-  
**(C. Pankajakshan, M. No. 12948)**  
Partner  
Chartered Accountants



## 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 28 parties covered in the Register maintained under Section 301 of the Companies Act, 1956 and the aggregate amount outstanding as on 31.03.2012 is ₹ 1,07,47,000 (Maximum amount outstanding during the year ₹ 1,07,47,000). 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. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

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 and 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 31<sup>st</sup> March 2012:

| Name of the statute | Nature of the dues   | Amount<br>₹ in lakhs | Period to which<br>the amount relates | Forum where<br>dispute is pending |
|---------------------|--|----------------------|---------------------------------------|-----------------------------------|
| KGST Act, 1963      | Amount disputed on allowability of ST Exemption for refining plant | 25.40                | F.Y. 2000-01                          | Asst. Commissioner (Assessment)   |
| Customs Act, 1962   | Dispute on applicable Tariff head                                  | 45.07                | F.Y. 2008-09                          | CESTAT, Bangalore                 |
| Customs Act, 1962   | Dispute on applicable Tariff head                                  | 1.98                 | F.Y. 2009-10                          | CESTAT, Bangalore                 |

10. There are no accumulated losses at the end of the financial year and the company has not incurred cash losses during the financial year and 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 and 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 term 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  
May 30, 2012

For **VARMA & VARMA**  
(Firm No. 004532 S)  
Sd/-  
**(C. Pankajakshan, M. No. 12948)**  
Partner  
Chartered Accountants

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2012

|   | Note<br>No. | As at 31.03.2012<br>₹ in lakhs | As at 31.03.2011<br>₹ in lakhs |
|---|-------------|--------------------------------|--------------------------------|
| <b>I. EQUITY AND LIABILITIES</b>        |             |                                |                                |
| 1. Shareholders' funds                  |             |                                |                                |
| a) Share Capital                        | 2           | <b>320.00</b>                  | 320.00                         |
| b) Reserves and Surplus                 | 3           | <b>3,651.18</b>                | 3,015.35                       |
|   |             | <b>3971.18</b>                 | 3,335.35                       |
| 2. Non-current liabilities              |             |                                |                                |
| a) Long term borrowings                 | 4           | <b>717.37</b>                  | 935.82                         |
| b) Deferred tax liability (Net)         | 5           | <b>182.54</b>                  | 205.02                         |
| c) Long term provisions                 | 6           | <b>27.58</b>                   | 22.04                          |
|   |             | <b>927.49</b>                  | 1,162.88                       |
| 3. Current liabilities                  |             |                                |                                |
| a) Short-term borrowings                | 7           | <b>1,763.56</b>                | 1,447.80                       |
| b) Trade payables                       | 8           | <b>355.35</b>                  | 375.68                         |
| c) Other current liabilities            | 9           | <b>856.77</b>                  | 766.85                         |
| d) Short-term provisions                | 10          | <b>763.14</b>                  | 621.90                         |
|   |             | <b>3,738.82</b>                | 3,212.23                       |
| <b>TOTAL</b>                            |             | <b>8,637.49</b>                | <b>7,710.46</b>                |
| <b>II. ASSETS</b>                       |             |                                |                                |
| 1. Non-current assets                   |             |                                |                                |
| a) Fixed Assets                         |             |                                |                                |
| i) Tangible assets                      | 11          | <b>3,463.14</b>                | 3,687.41                       |
| ii) Intangible assets                   | 12          | <b>49.38</b>                   | —                              |
| iii) Capital work-in progress           | 13          | <b>70.88</b>                   | 87.88                          |
| iv) Intangible assets under development | 13          | —                              | 8.49                           |
|   |             | <b>3,583.40</b>                | 3,783.78                       |
| b) Non-current Investments              | 14          | <b>7.50</b>                    | 7.50                           |
| c) Long-term Loans and Advances         | 15          | <b>66.67</b>                   | 75.28                          |
| 2. Current Assets                       |             |                                |                                |
| a) Inventories                          | 16          | <b>4,148.33</b>                | 3,261.20                       |
| b) Trade receivables                    | 17          | <b>16.79</b>                   | 22.76                          |
| c) Cash and cash equivalents            | 18          | <b>583.33</b>                  | 348.07                         |
| d) Short-term loans and advances        | 19          | <b>220.43</b>                  | 207.99                         |
| e) Other current assets                 | 20          | <b>11.04</b>                   | 3.88                           |
|   |             | <b>4,979.92</b>                | 3,843.90                       |
| <b>TOTAL</b>                            |             | <b>8,637.49</b>                | <b>7,710.46</b>                |
| Significant accounting policies         | 1           |                                |                                |
| Additional information                  | 29          |                                |                                |

**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**  
(Firm No. 004532 S)

Sd/-  
**(C. Pankajakshan, M. No. 12948)**  
Partner  
Chartered Accountants

May 30, 2012

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2012

|  | Note No. | Year ended 31.03.2012<br>₹ in lakhs | Year ended 31.03.2011<br>₹ in lakhs |
|--|----------|-------------------------------------|-------------------------------------|
| <b>REVENUE</b>   |          |                                     |                                     |
| Revenue from operations                                    |          |                                     |                                     |
| Sale of products   |          | <b>54,236.52</b>                    | 45,372.44                           |
| Less : Excise duty   |          | <b>14.52</b>                        | 4.41                                |
|  |          | <b>54,222.00</b>                    | 45,368.03                           |
| Other income   | 21       | <b>114.28</b>                       | 68.04                               |
| Total Revenue  |          | <b>54,336.28</b>                    | 45,436.07                           |
| <b>EXPENSES</b>  |          |                                     |                                     |
| Cost of materials consumed                                 | 22       | <b>45,364.54</b>                    | 38,147.56                           |
| Changes in inventories of finished goods                   | 23       | <b>(338.00)</b>                     | (87.48)                             |
| Employee benefits expenses                                 | 24       | <b>2,287.07</b>                     | 1,855.14                            |
| Finance costs  | 25       | <b>341.32</b>                       | 323.82                              |
| Depreciation and amortisation expenses                     | 26       | <b>459.47</b>                       | 455.85                              |
| Other expenses   | 27       | <b>4,634.84</b>                     | 4073.87                             |
| Total expenses   |          | <b>52,749.24</b>                    | 44,768.76                           |
| Profit before exceptional and extra-ordinary items and Tax |          | <b>1,587.04</b>                     | 667.31                              |
| Exceptional Items  |          | —                                   | —                                   |
| Profit before extra-ordinary items and tax                 |          | <b>1,587.04</b>                     | 667.31                              |
| Extra-ordinary items                                       |          | —                                   | —                                   |
| Profit before tax  |          | <b>1,587.04</b>                     | 667.31                              |
| Tax expenses   |          |                                     |                                     |
| Current tax  |          | <b>565.00</b>                       | 250.00                              |
| Relating to earlier years (net)                            |          | <b>(0.41)</b>                       | 1.42                                |
| Deferred tax (net)   |          | <b>(22.48)</b>                      | (33.92)                             |
|  |          | <b>542.11</b>                       | 217.50                              |
| Profit for the year  |          | <b>1,044.93</b>                     | 449.81                              |
| Basic and diluted earnings per equity share (₹)            | 28       | <b>32.65</b>                        | 14.06                               |
| Nominal value per equity share (₹)                         |          | <b>10.00</b>                        | 10.00                               |
| Significant accounting policies                            | 1        |                                     |                                     |
| Additional information                                     | 29       |                                     |                                     |

**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**  
(Firm No. 004532 S)

Sd/-

**(C. Pankajakshan, M. No. 12948)**  
Partner  
Chartered Accountants

May 30, 2012

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2012

|           |  | Year ended 31.03.2012<br>₹ in lakhs | Year ended 31.03.2011<br>₹ in lakhs |
|-----------|--|-------------------------------------|-------------------------------------|
| <b>A.</b> | <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                   |                                     |                                     |
|           | Net profit before tax and extra ordinary items               | <b>1,587.04</b>                     | 667.31                              |
|           | Adjustments for:   |                                     |                                     |
|           | Depreciation and amortisation                                | <b>459.47</b>                       | 455.85                              |
|           | Finance costs  | <b>341.32</b>                       | 323.82                              |
|           | Interest income from banks                                   | <b>(8.52)</b>                       | (3.86)                              |
|           | Dividend income  | <b>(5.64)</b>                       | (1.36)                              |
|           | Profit on sale of assets                                     | <b>(1.36)</b>                       | (0.14)                              |
|           |  | <b>785.27</b>                       | 774.31                              |
|           | Operating profit before working capital changes              | <b>2,372.31</b>                     | 1,441.62                            |
|           | Adjustments for:   |                                     |                                     |
|           | Inventories  | <b>(887.13)</b>                     | (1,178.58)                          |
|           | Trade receivables, loans & advances and other current assets | <b>(5.02)</b>                       | 48.32                               |
|           | Trade payables, other current liabilities and provisions     | <b>122.54</b>                       | 362.36                              |
|           |  | <b>(769.61)</b>                     | (767.90)                            |
|           | Cash generated from operations                               | <b>1,602.70</b>                     | 673.72                              |
|           | Income tax paid  | <b>510.51</b>                       | 226.55                              |
|           | Net cash from operating activities (a)                       | <b>1,092.19</b>                     | 447.17                              |
| <b>B.</b> | <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                   |                                     |                                     |
|           | Purchase of fixed assets                                     | <b>(267.52)</b>                     | (274.96)                            |
|           | Sale of fixed assets   | <b>9.79</b>                         | 1.55                                |
|           | Purchase/redemption of investments                           | —                                   | 400.11                              |
|           | Interest income from banks                                   | <b>8.52</b>                         | 3.86                                |
|           | Dividend income  | <b>5.64</b>                         | 1.36                                |
|           | Net cash (used in) / from investing activities (b)           | <b>(243.57)</b>                     | 131.92                              |
| <b>C.</b> | <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                   |                                     |                                     |
|           | Proceeds/(Repayment) of bank borrowings                      | <b>136.78</b>                       | (729.07)                            |
|           | Acceptance/(Repayment) of public deposit                     | <b>(39.47)</b>                      | 331.05                              |
|           | Finance costs  | <b>(341.32)</b>                     | (323.82)                            |
|           | Dividend paid (including corporate dividend tax)             | <b>(369.35)</b>                     | (369.49)                            |
|           | Net cash used in financing activities (c)                    | <b>(613.36)</b>                     | (1,091.33)                          |
|           | Net increase/(decrease) in cash and cash equivalents (a+b+c) | <b>235.26</b>                       | (512.24)                            |
|           | Cash and cash equivalents at the beginning of the year       | <b>348.07</b>                       | 860.31                              |
|           | Cash and cash equivalents at the close of the year           | <b>583.33</b>                       | 348.07                              |
|           | Net increase/(decrease) as disclosed above                   | <b>235.26</b>                       | (512.24)                            |

Note : Cash and cash equivalents include ₹ 33.20 lakhs (Previous year ₹ 30.64 lakhs) under unpaid dividend account with Banks and ₹ 12.81 lakhs (Previous year ₹ 12.81 lakhs) as margin money deposits against bank guarantees which are not available for immediate use.

**M.C. Paul**  
Chairman & Managing Director

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

**P.K. Varghese**

**A.P. George**

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Executive Director

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As per our report of  
even date attached

**For VARMA & VARMA**  
(Firm No. 004532 S)

Sd/-  
**(C. Pankajakshan, M. No. 12948)**  
Partner  
Chartered Accountants

May 30, 2012

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

### 1. SIGNIFICANT ACCOUNTING POLICIES

- i) **Basis of Accounting:** The financial statements are prepared under historical cost convention on accrual basis of accounting in conformity with the accounting principles generally accepted in India and are in compliance with the accounting standards notified by the Companies (Accounting Standards) Rules, 2006.
- 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) Tangible and intangible assets are stated at cost of acquisition less accumulated depreciation / amortisation.
  - (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 and amortisation:** 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. Intangible assets are amortised over a period of five years.
- v) **Investments:** Long-term investments are stated at cost less provision for diminution, if any, in the value of such investments, other than that of temporary nature. Current investments are carried at lower of cost and fair value.
- 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) **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 gains / losses arising during the year are adjusted to the Statement of Profit and Loss.

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 Statement of Profit and Loss in the reporting period in which the exchange rates change.

Exchange gains or losses 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 in accordance with the Announcement on Accounting for Derivatives issued by the Institute of Chartered Accountants of India.
- viii) **Revenue Recognition:** Sales are recognised on transfer of title of the goods to the customers. Other incomes are recognised on accrual basis except when there are significant uncertainties.
- 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) 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 Employees' State Insurance Scheme administered by the Government for all eligible employees. The Company's contributions to defined contribution plans are recognised in the Statement of Profit and Loss 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 Statement of Profit and Loss for the period in which they occur.

Gratuity in respect of whole-time directors is provided for on gross (undiscounted) basis and charged to Statement of Profit and Loss.

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 Statement of Profit and Loss for the period in which they occur.

**xii) 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.

**xiii) 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.

**xiv) 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.

**xv) Provisions and Contingencies:** Provisions for losses and contingencies arising as a result of a past event where the management considers it probable that a liability may be incurred are made on the basis of the best reliable estimates of the expenditure required to settle the present obligation on the balance sheet date and are not discounted to its present value. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Other contingent liabilities to the extent management is aware is disclosed by way of notes to accounts.

**xvi) Earnings per share:** Basic / diluted earnings per share is calculated by dividing the net profit / loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares / dilutive potential equity shares outstanding as at the end of the year as the case may be.

## 2. SHARE CAPITAL

|   | Par value<br>each ₹  | As at 31.03.2012  |            | As at 31.03.2011 |            |
|---|--|-------------------|------------|------------------|------------|
|   |  | Number            | ₹ in lakhs | Number           | ₹ in lakhs |
| Authorised:                                     |  |                   |            |                  |            |
| Equity shares                                   | 10   | 99,40,000         | 994.00     | 99,40,000        | 994.00     |
| 13.50 % Redeemable cumulative preference shares | 100  | 6,000             | 6.00       | 6,000            | 6.00       |
|   |  | 99,46,000         | 1,000.00   | 99,46,000        | 1,000.00   |
| Issued:   |  |                   |            |                  |            |
| Equity shares                                   | 10   | 32,02,820         | 320.28     | 32,02,820        | 320.28     |
| Subscribed and Paid up:                         |  |                   |            |                  |            |
| Equity shares                                   | 10   | 32,00,000         | 320.00     | 32,00,000        | 320.00     |
| Note 2.1  | Details of equity shareholding more than 5 %   | Number Percentage |            | Number           | Percentage |
|   | PJD Properties and Investments P. Ltd.   | 5,12,000          | 16.00 %    | 5,12,000         | 16.00 %    |
| Note 2.2  | There was no fresh issue or buying back of shares in the preceding five years.                                   |                   |            |                  |            |
| Note 2.3  | There was neither bonus issue nor any other issue of shares in the preceding five years.                         |                   |            |                  |            |
| Note 2.4  | The Company has only one class of equity shares. Each holder of equity shares is entitled to one vote per share. |                   |            |                  |            |
| Note 2.5  | There is no change in the number of shares outstanding at the beginning and at the end of the year.              |                   |            |                  |            |

## 3. RESERVES AND SURPLUS

|                                      | As at 31.03.2012<br>₹ in lakhs  | As at 31.03.2011<br>₹ in lakhs |
|--------------------------------------|---|--------------------------------|
| Capital Reserve                      | 70.78   | 70.78                          |
| Capital Redemption Reserve           | 3.00  | 3.00                           |
| Securities Premium Account           | 162.24  | 162.24                         |
| General Reserve                      |   |                                |
| Balance at the beginning of the year | 2,400.00  | 2,300.00                       |
| Add : Transfer from Surplus          | 600.00  | 100.00                         |
|                                      | 3,000.00  | 2,400.00                       |
| Gratuity Reserve                     | 154.97  | 154.97                         |
| Surplus                              |   |                                |
| Balance at the beginning of the year | 224.36  | 246.46                         |
| Add : Profit for the current year    | 1,044.93  | 449.81                         |
| Less : Transfer to General Reserve   | (600.00)  | (100.00)                       |
| Less : Proposed Dividend             | (352.00)  | (320.00)                       |
| Less : Corporate Dividend Tax        | (57.10)   | (51.91)                        |
|                                      | 260.19  | 224.36                         |
| Total                                | 3,651.18  | 3,015.35                       |
| Note 3.1:                            | Gratuity Reserve represents amount set apart in earlier years 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. |                                |
| Note 3.2:                            | Final dividend of Rs. 11 per share (Previous year Rs. 10 per share) proposed by Board is subject to approval of shareholders in the ensuing annual general meeting.   |                                |

**As at 31.03.2012**  
**₹ in lakhs**

**As at 31.03.2011**  
**₹ in lakhs**

#### 4. LONG TERM BORROWINGS

|   |               |        |
|---|---------------|--------|
| Term Loan from Banks - Secured  | <b>141.54</b> | 283.09 |
| Repayable in 8 quarterly instalments of ₹ 35.39 lakhs each.   |               |        |
| Secured by (1) Equitable mortgage of all immovable properties of Irinjalakuda Swaminathapuram and Konikkara Units by deposit of title deeds; and (2) First charge by way of hypothecation of all current assets of the Company and Plant and Machinery of Irinjalakuda and Swaminathapuram Units. |               |        |
| Public Deposits - Unsecured   | <b>575.83</b> | 652.73 |
| Total   | <b>717.37</b> | 935.82 |
| Note 4.1 Public Deposits were accepted under the Companies (Acceptance of Deposits) Rules, 1975.  |               |        |
| Note 4.2 Public Deposits include deposits due to Directors ₹ 5.10 lakhs (Previous year ₹ 1.00 lakh) accepted on the same terms and conditions as applicable to other depositors.  |               |        |
| Note 4.3 See Note 9 for current maturities of long-term debt.   |               |        |

#### 5. DEFERRED TAX LIABILITY (NET)

|                                       |               |      |        |
|---------------------------------------|---------------|------|--------|
| Deferred tax liability towards        |               |      |        |
| - accumulated depreciation difference | <b>199.51</b> |      | 221.78 |
| Deferred tax assets on account of     |               |      |        |
| - Provision for employees' benefits   | <b>9.23</b>   | 9.02 |        |
| - Others                              | <b>7.74</b>   | 7.74 | 16.76  |
| Net deferred tax liability            | <b>182.54</b> |      | 205.02 |

#### 6. LONG TERM PROVISIONS

|  |              |  |       |
|--|--------------|--|-------|
| Provision for employee's benefits                  |              |  |       |
| - Gratuity (gross - undiscounted) - See Note 1. xi | <b>27.58</b> |  | 22.04 |
| Total  | <b>27.58</b> |  | 22.04 |

#### 7. SHORT TERM BORROWINGS

|   |                 |  |          |
|---|-----------------|--|----------|
| Loans repayable on demand from Banks  |                 |  |          |
| - Cash credit - Secured   | <b>221.76</b>   |  | 943.43   |
| 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. |                 |  |          |
| - Short term Rupee Loans - Unsecured  | <b>1,000.00</b> |  | —        |
| Public Deposits - Unsecured   | <b>541.80</b>   |  | 504.37   |
| Total   | <b>1,763.56</b> |  | 1,447.80 |
| Note 7.1 Public Deposits were accepted under the Companies (Acceptance of Deposits) Rules, 1975.  |                 |  |          |
| Note 7.2 Public Deposits include deposits due to Directors ₹ 2.11 lakhs (Previous year ₹ 3.77 lakhs) accepted on the same terms and conditions as applicable to other depositors.   |                 |  |          |

As at 31.03.2012  
₹ in lakhs

As at 31.03.2011  
₹ in lakhs

## 8. TRADE PAYABLES

|                |               |               |
|----------------|---------------|---------------|
| Trade Payables | <u>355.35</u> | <u>375.68</u> |
|----------------|---------------|---------------|

Note 8.1 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 2012, 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.

## 9. OTHER CURRENT LIABILITIES

|  |               |               |
|--|---------------|---------------|
| Current Maturities of long-term debt   |               |               |
| - Term loan from Banks<br>(See Note 4 for security details and terms of repayment) | 141.54        | 141.54        |
| Interest accrued and due on short term loans from banks                            | 8.00          | —             |
| Interest accrued but not due on public deposits                                    | 134.32        | 137.00        |
| Amounts liable to be credited to<br>Investor Education and Protection Fund not due |               |               |
| - Unpaid dividend  | 33.20         | 30.64         |
| - Unpaid matured deposits and interest accrued thereon                             | <u>3.06</u>   | <u>2.90</u>   |
| Security deposits  | 36.26         | 33.54         |
| Advance from customers   | 98.50         | 99.02         |
| Creditors for expenses   | 268.41        | 209.50        |
| Other liabilities  | 126.32        | 101.90        |
|  | 43.42         | 44.35         |
| Total  | <u>856.77</u> | <u>766.85</u> |

Note 9.1 Interest accrued but not due on public deposits include interest accrued on deposits accepted from Directors ₹ 0.07 lakh (Previous year ₹ 0.04 lakh)

## 10. SHORT TERM PROVISIONS

|                                     |               |               |
|-------------------------------------|---------------|---------------|
| (a) Provision for employee benefits | 279.37        | 229.39        |
| (b) Others                          |               |               |
| Proposed Dividend                   | 352.00        | 320.00        |
| Corporate Dividend Tax              | 57.10         | 51.91         |
| Taxation (net of advance tax)       | <u>74.67</u>  | <u>20.60</u>  |
|                                     | 483.77        | 392.51        |
| Total                               | <u>763.14</u> | <u>621.90</u> |

|                              | GROSS BLOCK                                    |                                |                              | DEPRECIATION / AMORTISATION                                |                                    |                                |                              | NET BLOCK                          |  |  |
|------------------------------|--|--------------------------------|------------------------------|--|------------------------------------|--------------------------------|------------------------------|------------------------------------|--|--|
|                              | Cost as at<br>1.04.2011                        | Additions                      | Sales/<br>Adjustments        | Cost as at<br>31.03.2012                                   | Up to<br>1.04.2011                 | For the<br>Year                | Sales/<br>Adjustments        | Up to<br>31.03.2012                | As at<br>31.03.2012  | As at<br>31.03.2011                            |
| <b>11. TANGIBLE ASSETS</b>   |  |                                |                              |  |                                    |                                |                              |                                    |  |  |
| Land and Land development    | <b>487.10</b><br><i>487.10</i>                 | —                              | —                            | <b>487.10</b><br><i>487.10</i>                             | —                                  | —                              | —                            | —                                  | <b>487.10</b><br><i>487.10</i>                             | <b>487.10</b><br><i>487.10</i>                 |
| Leasehold Land               | <b>105.60</b><br><i>105.60</i>                 | —                              | —                            | <b>105.60</b><br><i>105.60</i>                             | <b>8.12</b><br><i>6.93</i>         | <b>1.20</b><br><i>1.19</i>     | —                            | <b>9.32</b><br><i>8.12</i>         | <b>96.28</b><br><i>97.48</i>                               | <b>97.48</b><br><i>98.67</i>                   |
| Buildings                    | <b>2,481.98</b><br><i>2,400.53</i>             | <b>78.32</b><br><i>81.45</i>   | —                            | <b>2,560.30</b><br><i>2,481.98</i>                         | <b>1,039.31</b><br><i>955.63</i>   | <b>86.02</b><br><i>83.68</i>   | —                            | <b>1,125.33</b><br><i>1,039.31</i> | <b>1,434.97</b><br><i>1,442.67</i>                         | <b>1,442.67</b><br><i>1,444.90</i>             |
| Plant and Equipments         | <b>3,589.64<sup>#</sup></b><br><i>3,467.94</i> | <b>79.90</b><br><i>126.47</i>  | <b>19.92</b><br><i>4.77</i>  | <b>3,649.62<sup>#</sup></b><br><i>3,589.64<sup>#</sup></i> | <b>2,065.70</b><br><i>1,736.98</i> | <b>314.59</b><br><i>332.60</i> | <b>17.41</b><br><i>3.88</i>  | <b>2,362.88</b><br><i>2,065.70</i> | <b>1,286.74<sup>#</sup></b><br><i>1,523.94<sup>#</sup></i> | <b>1,523.94<sup>#</sup></b><br><i>1,730.96</i> |
| Furniture and Fixtures       | <b>94.11</b><br><i>88.87</i>                   | <b>3.78</b><br><i>5.24</i>     | —                            | <b>97.89</b><br><i>94.11</i>                               | <b>79.42</b><br><i>75.79</i>       | <b>3.06</b><br><i>3.63</i>     | —                            | <b>82.48</b><br><i>79.42</i>       | <b>15.41</b><br><i>14.69</i>                               | <b>14.69</b><br><i>13.08</i>                   |
| Vehicles                     | <b>144.20</b><br><i>133.22</i>                 | <b>21.10</b><br><i>14.96</i>   | <b>12.42</b><br><i>3.98</i>  | <b>152.88</b><br><i>144.20</i>                             | <b>55.99</b><br><i>32.92</i>       | <b>25.31</b><br><i>26.89</i>   | <b>10.14</b><br><i>3.82</i>  | <b>71.16</b><br><i>55.99</i>       | <b>81.72</b><br><i>88.21</i>                               | <b>88.21</b><br><i>100.30</i>                  |
| Office Equipments            | <b>195.27</b><br><i>176.78</i>                 | <b>48.18</b><br><i>19.06</i>   | <b>120.83</b><br><i>0.57</i> | <b>122.62</b><br><i>195.27</i>                             | <b>161.95</b><br><i>154.29</i>     | <b>16.94</b><br><i>7.86</i>    | <b>117.19</b><br><i>0.20</i> | <b>61.70</b><br><i>161.95</i>      | <b>60.92</b><br><i>33.32</i>                               | <b>33.32</b><br><i>22.49</i>                   |
| Total Tangible Assets        | <b>7,097.90</b><br><i>6,860.04</i>             | <b>231.28</b><br><i>247.18</i> | <b>153.17</b><br><i>9.32</i> | <b>7,176.01</b><br><i>7,097.90</i>                         | <b>3,410.49</b><br><i>2,962.54</i> | <b>447.12</b><br><i>455.85</i> | <b>144.74</b><br><i>7.90</i> | <b>3,712.87</b><br><i>3,410.49</i> | <b>3,463.14</b><br><i>3,687.41</i>                         | <b>3,687.41</b><br><i>3,897.50</i>             |
| <b>12. INTANGIBLE ASSETS</b> |  |                                |                              |  |                                    |                                |                              |                                    |  |  |
| Softwares                    | —  | <b>61.73</b>                   | —                            | <b>61.73</b>   | —                                  | <b>12.35</b>                   | —                            | <b>12.35</b>                       | <b>49.38</b>   | —  |

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

Note : <sup>#</sup> Includes value of assets discarded and held for disposal - Gross Block ₹ 16.26 lakhs and Net Block ₹ 2.17 lakhs.

As at 31.03.2012  
₹ in lakhs

As at 31.03.2011  
₹ in lakhs

### 13. CAPITAL WORK IN PROGRESS AND INTANGIBLE ASSETS UNDER DEVELOPMENT

|  |       |              |       |              |
|--|-------|--------------|-------|--------------|
| (a) Capital Work-in- Progress          |       |              |       |              |
| - Buildings                            | 10.11 |              | 23.36 |              |
| - Plant and Equipments                 | 60.59 |              | 50.34 |              |
| - Office Equipments                    | 0.18  |              | 9.00  |              |
| - Vehicles                             | —     |              | 5.18  |              |
|  |       | <b>70.88</b> |       | 87.88        |
| (b) Intangible Asset under Development |       |              |       |              |
| - Softwares                            |       | —            |       | 8.49         |
| Total                                  |       | <b>70.88</b> |       | <b>96.37</b> |

### 14. NON-CURRENT INVESTMENTS

In Equity Instruments - (Non-trade)

At Cost (fully paid up - Unquoted)

- a) Jeevan Telecasting Corporation Ltd.
- b) Kerala Enviro Infrastructure Ltd.
- c) Cochin Waste 2 Energy Private Ltd.
- d) Coconut Oil & Copra Producers' Co-Op. Society Ltd.

|                   | As at 31.03.2012 |             | As at 31.03.2011 |             |
|-------------------|------------------|-------------|------------------|-------------|
| Face Value each ₹ | No. of shares    | ₹ in lakhs  | No. of shares    | ₹ in lakhs  |
|                   |                  |             |                  |             |
| 1,000             | 200              | 2.00        | 200              | 2.00        |
| 10                | 5,000            | 0.50        | 5,000            | 0.50        |
| 10                | 50,000           | 5.00        | 50,000           | 5.00        |
| 100               | 1                | 0.00        | 1                | 0.00        |
| Total             |                  | <b>7.50</b> |                  | <b>7.50</b> |

Total

See Note 29.5 for details of purchase and sale of investments.

As at 31.03.2012  
₹ in lakhs

As at 31.03.2011  
₹ in lakhs

### 15. LONG-TERM LOANS AND ADVANCES

|                             |              |              |
|-----------------------------|--------------|--------------|
| Unsecured - Considered good |              |              |
| Capital Advances            | 20.22        | 26.32        |
| Security Deposits           | 40.66        | 39.48        |
| Other Loans and Advances    |              |              |
| - Loans to Employees        | 5.79         | 9.48         |
| Total                       | <b>66.67</b> | <b>75.28</b> |

### 16. INVENTORIES as taken, valued and certified by Management

|                                 |                 |                 |
|---------------------------------|-----------------|-----------------|
| Raw materials                   | 2,795.16        | 2,191.81        |
| Finished goods                  | 893.52          | 555.52          |
| Packing materials               | 217.07          | 295.75          |
| Stores & spares and consumables | 242.58          | 218.12          |
| Total                           | <b>4,148.33</b> | <b>3,261.20</b> |

See Note 1 (vi) for method of valuation of Inventories.



As at 31.03.2012  
₹ in lakhs

As at 31.03.2011  
₹ in lakhs

## 17. TRADE RECEIVABLES

### (i) Considered good

Debts outstanding for a period exceeding 6 months

Secured

2.92

2.58

Unsecured

1.84

4.76

1.34

3.92

Other debts

Secured

4.63

4.49

Unsecured

7.40

12.03

14.35

18.84

### (ii) Considered doubtful

Debts outstanding for a period exceeding 6 months - unsecured

18.68

18.68

Less: Provision for doubtful debts

(18.68)

(18.68)

Total

16.79

22.76

## 18. CASH AND CASH EQUIVALENTS

Balance with Banks

465.41

240.36

Cheques/drafts on hand

76.22

79.29

Cash on hand

41.55

28.19

Stamps on hand

0.15

0.23

Total

583.33

348.07

Note 18.1: Balance with banks include restricted bank balances of ₹ 46.01 lakhs (Previous year ₹ 43.45 lakhs) and time deposit with banks with a maturity of more than 12 months ₹ 0.02 lakh (Previous year ₹ 0.02 lakh). The restrictions are primarily on account of bank balances held as margin money deposits against guarantees ₹ 12.81 lakhs (Previous year ₹ 12.81 lakhs) and earmarked balances for unpaid dividends ₹ 33.20 lakhs (Previous year ₹ 30.64 lakhs).

## 19. SHORT TERM LOANS AND ADVANCES

Advances recoverable in cash or in kind  
or for value to be received

(a) Unsecured - Considered Good

220.43

207.99

(b) Unsecured - Considered Doubtful

5.18

5.18

Less : Provision for doubtful advances

(5.18)

(5.18)

Total

220.43

207.99

## 20. OTHER CURRENT ASSETS

Unsecured - Considered Good

Interest accrued on Bank Deposits

7.53

1.96

Interest accrued on Loans to Employees

1.19

1.80

Others

2.32

0.12

Total

11.04

3.88

Year Ended  
31.03.2012  
₹ in lakhs

Year Ended  
31.03.2011  
₹ in lakhs

## 21.OTHER INCOME

|   |               |  |              |
|---|---------------|--|--------------|
| Interest income   |               |  |              |
| - from banks (TDS ₹ 0.25 lakh - Previous year ₹ 0.19 lakh)  | 8.52          |  | 3.86         |
| - from others (TDS ₹ 0.24 lakh - Previous year ₹ 0.26 lakh) | 8.99          |  | 6.90         |
| - on Income tax   | 2.19          |  | —            |
|   | <u>19.70</u>  |  | <u>10.76</u> |
| Dividend income from current investments                    | 5.64          |  | 1.36         |
| Insurance claim received                                    | 0.01          |  | 0.06         |
| Exchange rate fluctuation gain (net)                        | 40.33         |  | 6.25         |
| Excess provision for doubtful debts written back            | —             |  | 2.82         |
| Profit on sale of assets (net)                              | 1.36          |  | 0.14         |
| Miscellaneous income  | 47.24         |  | 46.65        |
| Total   | <u>114.28</u> |  | <u>68.04</u> |

## 22.COST OF MATERIALS CONSUMED

|                            |                  |  |                  |
|----------------------------|------------------|--|------------------|
| Opening Stock              | 2,191.81         |  | 1,219.44         |
| Purchases                  | 45,967.89        |  | 39,119.93        |
|                            | <u>48,159.70</u> |  | <u>40,339.37</u> |
| Less : Closing stock       | 2,795.16         |  | 2,191.81         |
| Cost of Materials consumed | <u>45,364.54</u> |  | <u>38,147.56</u> |

## 23.CHANGES IN INVENTORIES OF FINISHED GOODS

|  |                 |  |                |
|--|-----------------|--|----------------|
| Opening stock                            | 555.52          |  | 468.04         |
| Closing stock                            | 893.52          |  | 555.52         |
| Changes in inventories of finished goods | <u>(338.00)</u> |  | <u>(87.48)</u> |

## 24.EMPLOYEE BENEFITS EXPENSES

|   |                 |  |                 |
|---|-----------------|--|-----------------|
| Remuneration and benefits to Employees and Directors          |                 |  |                 |
| Salary, wages, gratuity and bonus                             | 1,817.29        |  | 1,479.50        |
| Contribution to Provident Fund                                | 136.83          |  | 117.03          |
| Contribution to Employees' State Insurance Corporation        | 49.64           |  | 43.09           |
| Contribution to KSE Ltd. Employees' Group Gratuity Fund Trust | 167.06          |  | 108.38          |
| Staff welfare expenses  | 116.25          |  | 107.14          |
| Total   | <u>2,287.07</u> |  | <u>1,855.14</u> |

## 25.FINANCE COSTS

|                            |               |  |               |
|----------------------------|---------------|--|---------------|
| Interest Expenses          |               |  |               |
| - on Term Loan             | 49.04         |  | 59.55         |
| - on Cash Credit           | 16.93         |  | 21.70         |
| - on Buyers' Credit        | 6.72          |  | 5.70          |
| - on Short term Rupee Loan | 18.65         |  | 22.39         |
| - on Public Deposits       | 139.24        |  | 121.85        |
| - on Others                | 5.43          |  | 5.45          |
|                            | <u>236.01</u> |  | <u>236.64</u> |
| Other Borrowing Costs      | 105.31        |  | 87.18         |
| Total                      | <u>341.32</u> |  | <u>323.82</u> |

Note 25.1: Interest Expenses on Public Deposits include ₹ 0.65 lakh (Previous year ₹ 0.51 lakh) being interest paid on deposits accepted from Directors.

**Year Ended**  
**31.03.2012**  
**₹ in lakhs**

**Year Ended**  
**31.03.2011**  
**₹ in lakhs**

## 26.DEPRECIATION AND AMORTISATION EXPENSES

|                   |                      |                      |
|-------------------|----------------------|----------------------|
| Tangible Assets   | <b>447.12</b>        | 455.85               |
| Intangible Assets | <b>12.35</b>         | —                    |
| <b>Total</b>      | <b><u>459.47</u></b> | <b><u>455.85</u></b> |

## 27.OTHER EXPENSES

|  |                        |                        |
|--|------------------------|------------------------|
| Processing charges                       | <b>524.72</b>          | 457.54                 |
| Packing materials consumed               | <b>1,881.09</b>        | 1,609.71               |
| Power and fuel                           | <b>1,093.48</b>        | 858.43                 |
| Freight                                  | <b>273.69</b>          | 345.13                 |
| Stores and spares consumed               | <b>340.44</b>          | 280.88                 |
| Rent (See Note 29.4)                     | <b>13.52</b>           | 16.09                  |
| Rates and taxes                          | <b>45.52</b>           | 91.37                  |
| Repairs                                  |                        |                        |
| Plant and machinery                      | <b>35.94</b>           | 33.31                  |
| Building                                 | <b>20.33</b>           | 21.59                  |
| Vehicles                                 | <b>9.70</b>            | 8.62                   |
| Others                                   | <b>90.80</b>           | 70.74                  |
|  | <b><u>156.77</u></b>   | <b><u>134.26</u></b>   |
| Travelling and conveyance                | <b>39.89</b>           | 33.38                  |
| Advertisement and Sales promotion        | <b>102.18</b>          | 88.76                  |
| Postage and telephone                    | <b>19.32</b>           | 19.81                  |
| Printing and stationery                  | <b>20.95</b>           | 16.60                  |
| Insurance                                | <b>17.90</b>           | 11.80                  |
| Sitting fees to Directors                | <b>7.45</b>            | 6.93                   |
| Payments to Auditors and expenses        |                        |                        |
| For Audit                                | <b>6.50</b>            | 5.50                   |
| For Tax audit                            | <b>0.60</b>            | 0.55                   |
| For Sales-tax audit                      | <b>0.60</b>            | 0.55                   |
| For Taxation matters                     | <b>0.25</b>            | 0.25                   |
| For Limited Review                       | <b>1.50</b>            | 1.35                   |
| For Certification works                  | <b>0.45</b>            | 0.21                   |
| Travelling and out-of-pocket expenses    | <b>1.60</b>            | 1.61                   |
| Service Tax on the above                 | <b>0.97</b>            | 0.85                   |
|  | <b><u>12.47</u></b>    | <b><u>10.87</u></b>    |
| Professional charges                     | <b>15.31</b>           | 13.92                  |
| Excise Duty on Inventories               | <b>1.27</b>            | 0.18                   |
| Commission and Brokerage                 | <b>2.01</b>            | 4.08                   |
| Irrecoverable debts/advances written off | —                      | 8.42                   |
| Provision for doubtful debts/advances    | —                      | 5.18                   |
| General charges                          | <b>66.86</b>           | 60.53                  |
| <b>Total</b>                             | <b><u>4,634.84</u></b> | <b><u>4,073.87</u></b> |

## 28.EARNINGS PER SHARE

|  |                  |           |
|--|------------------|-----------|
| Profit for the year as per Statement of Profit and Loss (₹ in lakhs) | <b>1,044.93</b>  | 449.81    |
| Number of Equity Shares  | <b>32,00,000</b> | 32,00,000 |
| Basic and diluted earnings per share (₹)                             | <b>32.65</b>     | 14.06     |

## 29. ADDITIONAL INFORMATION

29.1 Till the year ended 31st March, 2011, the Financial Statements of the Company were prepared and presented as per old Schedule VI to the Companies Act, 1956. The Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company from the year under report. The Company has reclassified and regrouped previous year figures to conform to the classification as per the Revised Schedule VI.

29.2 In the opinion of the Board, current assets and long term loans & advances have the value at which they are stated in the Balance Sheet, if realised in the ordinary course of business.

29.3 **Contingent liabilities and commitments** (to the extent not provided for in the accounts)

|   | Current Year<br>₹ in lakhs | Previous Year<br>₹ in lakhs |
|---|----------------------------|-----------------------------|
| I. Contingent Liabilities   |                            |                             |
| a) Claims against the Company not acknowledged as debts:  |                            |                             |
| (i) Customs Duty  | 47.05                      | 47.05                       |
| (ii) Kerala General Sales Tax   | 25.40                      | 25.40                       |
| (iii) Freight/demurrage demanded by Indian Railways   | 87.72                      | 82.42                       |
| (iv) ESI  | 3.57                       | 3.57                        |
| (v) Electricity   | 1.33                       | 1.33                        |
| b) Bank guarantees in favour of KSEB  | 12.81                      | 12.81                       |
| c) Other money for which the Company is contingently liable   | —                          | —                           |
|   | <b>177.88</b>              | 172.58                      |
| II. Commitments   |                            |                             |
| (a) Estimated amount of contracts remaining to be executed on capital account not provided for      | 29.63                      | 40.58                       |
| (b) Uncalled liability on shares and other investments partly paid                                  | —                          | —                           |
| (c) Letter of credit for import of raw materials / capital goods                                    | —                          | 640.28                      |
|   | <b>29.63</b>               | 680.86                      |
| <b>TOTAL</b>  | <b>207.51</b>              | 853.44                      |
| 29.4 <b>Lease rental payments</b>   |                            |                             |
| (a) Recognised in statement of profit and loss  | 13.52                      | 16.09                       |
| (b) Future minimum lease rentals payable as per lease agreement at the year end                     |                            |                             |
| (i) Not later than one year   | 1.00                       | 1.08                        |
| (ii) Later than one year and not later than five years  | 13.98                      | 13.95                       |
| <b>Total</b>  | <b>14.98</b>               | 15.03                       |
| (c) The Company has hired buildings under rental arrangements which are treated as operating lease. |                            |                             |

29.5 **Details of purchases / sale of investments**

| Particulars   | Purchases    |            | Sales        |            |
|---|--------------|------------|--------------|------------|
|   | No. of Units | ₹ in lakhs | No. of Units | ₹ in lakhs |
| ICICI Prudential Mutual Fund                          |              |            |              |            |
| 1. Liquid Institutional Plus Plan : Current Year      | 12,67,664.17 | 1,502.37   | 12,67,664.17 | 1,502.37   |
| Previous Year   | 3,79,590.50  | 401.36     | 7,57,999.90  | 801.47     |
| 2. Liquid Super Institutional Plus Plan: Current Year | 8,03,213.66  | 803.40     | 8,03,213.66  | 803.40     |
| Previous Year   | —            | —          | —            | —          |
| LIC Nomura Mutual Fund                                |              |            |              |            |
| Liquid Fund Dividend Plan : Current Year              | 31,97,223.62 | 351.06     | 31,97,223.62 | 351.06     |
| Previous Year   | —            | —          | —            | —          |

## 29.6 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 statement of profit and loss on account of defined contribution plans:

|  | 2011-12<br>₹ in lakhs | 2010-11<br>₹ in lakhs |
|--|-----------------------|-----------------------|
| Employer’s Contribution to Provident Fund                  | 136.83                | 117.03                |
| Employer’s Contribution to Employee’s State Insurance Fund | 49.64                 | 43.09                 |

### II. Defined Benefit Plan / Other Long Term Benefits

|   | Gratuity (Funded)                               |            | Compensated Absences (Funded)                   |            |
|---|---|------------|---|------------|
|   | 2011-12   | 2010-11    | 2011-12   | 2010-11    |
| (i) Actuarial assumptions   |   |            |   |            |
| Discount rate (per annum)   | 8%  | 8%         | 8%  | 8%         |
| Expected rate of return on plan assets (per annum)  | 8%  | 8%         | 8%  | 8%         |
| Salary escalation rate* (per annum)   | 7%  | 5%         | 7%  | 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 |            |
|   | ₹ in lakhs                                      | ₹ in lakhs | ₹ in lakhs                                      | ₹ in lakhs |
| (ii) Reconciliation of present value of obligations   |   |            |   |            |
| Present value of obligation at the beginning of the year  | 569.98  | 449.29     | 45.45   | 48.34      |
| Current Service cost  | 46.31   | 34.76      | 68.82   | 62.60      |
| Interest Cost   | 47.45   | 32.67      | 6.39  | 6.37       |
| Actuarial (gain) / loss   | 127.00  | 83.93      | (29.78)   | (47.05)    |
| Benefits paid   | (76.80)   | (30.67)    | (27.87)   | (24.81)    |
| Present value of obligation at the end of the year  | 713.94  | 569.98     | 63.01   | 45.45      |
| (iii) Reconciliation of fair value of plan assets   |   |            |   |            |
| Fair value of plan assets at the beginning of the year  | 616.52  | 472.19     | 64.24   | 45.28      |
| Expected return on plan assets  | 49.32   | 37.78      | 5.14  | 3.62       |
| Actuarial gain / (loss)   | 4.38  | 5.21       | 0.82  | 0.57       |
| Contributions   | 147.51  | 132.01     | 11.91   | 14.77      |
| Benefits paid   | (76.80)   | (30.67)    | —   | —          |
| Fair value of plan assets at the end of the year  | 740.93  | 616.52     | 82.11   | 64.24      |
| (iv) Description of Plan Assets   |   |            |   |            |
| Insurer Managed Assets  | 740.93  | 616.52     | 82.11   | 64.24      |
| (v) Net (Asset) / Liability recognised in the Balance Sheet as at the year end  |   |            |   |            |
| Present value of obligation at the end of the year  | 713.94  | 569.98     | 63.01   | 45.45      |
| Fair value of plan assets at the end of the year  | 740.93  | 616.52     | 82.11   | 64.24      |
| Net present value of unfunded obligation recognised- as (asset) / liability in the Balance Sheet  | (26.99)   | (46.54)    | (19.10)   | (18.79)    |
| (vi) Expenses recognised in the Statement of Profit and loss  |   |            |   |            |
| Current Service Cost  | 46.31   | 34.76      | 68.82   | 62.60      |
| Interest Cost   | 47.45   | 32.67      | 6.39  | 6.37       |
| Expected return on plan assets  | (49.32)   | (37.78)    | (5.14)  | (3.62)     |
| Actuarial (gain) / loss recognised in the period  | 122.62  | 78.72      | (30.60)   | (47.62)    |
| Total expenses recognised in the Statement of Profit and Loss for the year  | 167.06  | 108.38     | 39.47   | 17.73      |
| Actual return on plan assets  | 53.70   | 42.98      | 5.96  | 4.19       |
| (vii) Non-current and current value of obligation   |   |            |   |            |
| Non-current   | 681.04  | 515.72     | 58.29   | 42.04      |
| Current   | 32.90   | 54.26      | 4.72  | 3.41       |
| Total value of obligation   | 713.94  | 569.98     | 63.01   | 45.45      |

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

29.7 **Segment Information**  
**Segment Revenue, Results and Capital Employed**

₹ in lakhs

|   | Animal Feed                     | Oil Cake Processing             | Dairy                         | Total                           |
|---|---------------------------------|---------------------------------|-------------------------------|---------------------------------|
| a) Segment Revenue  | <b>44,314.87</b><br>(36,686.84) | <b>13,268.32</b><br>(10,290.87) | <b>1,818.65</b><br>(1,731.57) | <b>59,401.84</b><br>(48,709.28) |
| Less : Inter-segment Revenue  | —                               | <b>5,179.84</b><br>(3,341.25)   | —                             | <b>5,179.84</b><br>(3,341.25)   |
| Total Revenue   | <b>44,314.87</b><br>(36,686.84) | <b>8,088.48</b><br>(6,949.62)   | <b>1,818.65</b><br>(1,731.57) | <b>54,222.00</b><br>(45,368.03) |
| b) Segment Results  | <b>1,533.88</b><br>(397.73)     | <b>291.64</b><br>(481.30)       | <b>96.99</b><br>(145.03)      | <b>1,922.51</b><br>(1,024.06)   |
| Add : Unallocated income (net of unallocated expenditure)   |                                 |                                 |                               | <b>5.85</b><br>(-32.93)         |
| Less : Finance costs  |                                 |                                 |                               | <b>341.32</b><br>(323.82)       |
| Total Profit / Loss (-) before tax  |                                 |                                 |                               | <b>1,587.04</b><br>(667.31)     |
| c) Segment Assets   | <b>3,917.18</b><br>(4,441.24)   | <b>3,191.38</b><br>(1,938.22)   | <b>642.72</b><br>(699.46)     | <b>7,751.28</b><br>(7,078.92)   |
| Unallocated Assets  |                                 |                                 |                               | <b>886.21</b><br>(631.54)       |
| Total Assets  |                                 |                                 |                               | <b>8,637.49</b><br>(7,710.46)   |
| d) Segment Liabilities  | <b>919.76</b><br>(885.25)       | <b>168.46</b><br>(118.67)       | <b>78.00</b><br>(90.71)       | <b>1,166.22</b><br>(1,094.63)   |
| Unallocated Liabilities   |                                 |                                 |                               | <b>3,500.09</b><br>(3,280.48)   |
| Total Liabilities   |                                 |                                 |                               | <b>4,666.31</b><br>(4,375.11)   |
| e) Segment Capital Expenditure  | <b>152.45</b><br>(60.73)        | <b>86.45</b><br>(12.18)         | <b>33.74</b><br>(165.84)      | <b>272.64</b><br>(238.75)       |
| Unallocated Capital Expenditure   |                                 |                                 |                               | <b>(-) 5.12</b><br>(36.21)      |
| Total Capital Expenditure   |                                 |                                 |                               | <b>267.52</b><br>(274.96)       |
| f) Segment Depreciation and amortisation expenses   | <b>280.16</b><br>(281.60)       | <b>96.63</b><br>(106.62)        | <b>58.37</b><br>(39.81)       | <b>435.16</b><br>(428.03)       |
| Unallocated Depreciation  |                                 |                                 |                               | <b>24.31</b><br>(27.82)         |
| Total Depreciation and amortisation expenses  |                                 |                                 |                               | <b>459.47</b><br>(455.85)       |
| g) There is no significant non-cash expenses, included in segment expenses, other than depreciation and amortisation expenses in respect of segment assets. |                                 |                                 |                               |                                 |

Notes : a) Unallocated assets include capital work in progress and intangible assets under development ₹ 70.88 lakhs ( ₹ 96.37 lakhs), non-current investments ₹ 7.50 lakhs ( ₹ 7.50 lakhs) and cash and bank balances ₹ 583.33 lakhs ( ₹ 348.07 lakhs).

b) Unallocated liabilities include deferred tax ₹ 182.54 lakhs ( ₹ 205.02 lakhs), long-term borrowings ₹ 717.37 lakhs ( ₹ 935.82 lakhs), short-term borrowings ₹ 1,763.56 lakhs ( ₹ 1,447.80 lakhs), provision for taxation (net of advance) ₹ 74.67 lakhs ( ₹ 20.60 lakhs) and provision for proposed dividend and corporate dividend tax ₹ 409.10 lakhs ( ₹ 371.91 lakhs).

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

## 29.8 Managerial Remuneration under Section 198 of the Companies Act, 1956:

|                                | Current Year<br>₹ in lakhs | Previous Year<br>₹ in lakhs |
|--------------------------------|----------------------------|-----------------------------|
| Salary and bonus               | 22.43                      | 19.19                       |
| Contribution to Provident Fund | 2.24                       | 1.92                        |
| Provision for Gratuity         | 5.54                       | 1.96                        |
| Other benefits                 | 3.95                       | 1.44                        |
| Total                          | <u>34.16</u>               | <u>24.51</u>                |

## 29.9 Related Party Disclosure

### a) Key management personnel

|                   |                                  |
|-------------------|----------------------------------|
| Mr. M.C. Paul     | - Chairman and Managing Director |
| Mr. P.K. Varghese | - Executive Director             |

### b) Enterprises over which key management personnel and their relatives are able to exercise significant influence having transactions with the Company

M/s. Emceepee Traders; M.C. Paul & Sons; MCP Rose Super Market Pvt. Ltd.; Emceepee Agencies; Surya Agencies; and Pokkath Auto Fuels.

### c) Relatives of Key Management Personnel having transactions with the Company

Mrs. Annie Paul; Mrs. Pushpam Bright; Dr. Francis Alappat; Mrs. Usha Francis; Dr. James Chettupuzhakkaran; Mr. Bellraj Eapen; Mrs. Binu Ann; Mrs. Anu Maria; Mrs. Megha Ann Tomy; Dr. Fiju Chacko; Mrs. Mariamma Francis; Mrs. Seema Suresh and Sawmiya Varghese.

### d) Transactions with related parties during the year

|  | Current Year<br>₹ in lakhs | Previous Year<br>₹ in lakhs |
|--|----------------------------|-----------------------------|
| i) Payment to key management personnel   |                            |                             |
| Remuneration   | 34.16                      | 24.51                       |
| Balance outstanding as at the year end   |                            |                             |
| - Payables (bonus payable and gratuity provided in accounts)   | 31.32                      | 25.24                       |
| - Receivables  | —                          | —                           |
| ii) Transactions with enterprises over which key management personnel and their relatives are able to exercise significant influence |                            |                             |
| Sale of products   | 65.01                      | 62.54                       |
| Purchase of materials  | 1.32                       | 4.33                        |
| Sales Promotion  | 0.25                       | 0.30                        |
| Security deposit Interest  | 0.02                       | 0.03                        |
| Expenses reimbursed  | 0.04                       | 0.04                        |
| Balance outstanding as at the year end   |                            |                             |
| - Payables   | 0.36                       | 0.45                        |
| - Receivables  | —                          | —                           |
| iii) Transactions with relatives of key management personnel   |                            |                             |
| Interest on fixed deposits paid / due  | 9.54                       | 8.29                        |
| Balance outstanding as at the year end   |                            |                             |
| - Payables (fixed deposits including accrued interest)   | 90.48                      | 80.36                       |
| - 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.



29.10 Details of Pre-operative expenses allocated to fixed assets in respect of new ice cream plant at Vedagiri commissioned on 28.03.2011:

|   | Current Year<br>₹ in lakhs | Previous Year<br>₹ in lakhs |
|---|----------------------------|-----------------------------|
| Opening Balance   | —                          | 3.22                        |
| Salary/wages and Welfare Expenses                                     | —                          | 0.41                        |
| Stores and Spares   | —                          | 0.06                        |
| Rates and Taxes   | —                          | 0.51                        |
| Power and Fuel  | —                          | 0.52                        |
| Repairs   | —                          | 0.24                        |
| Insurance   | —                          | 0.06                        |
| Travelling and Conveyance   | —                          | 0.13                        |
| Printing and Stationery   | —                          | 0.01                        |
| Others  | —                          | 1.00                        |
|   | —                          | 6.16                        |
| Less : Allocated to assets put to use and capitalised during the year | —                          | 6.16                        |
| Balance included under Capital Work in Progress                       | —                          | —                           |

29.11 Particulars in respect of stock and turnover

| Sl. No. | Class of goods manufactured                   | Opening          |                    | Closing          |                    | Sales                  |                          |
|---------|---|------------------|--------------------|------------------|--------------------|------------------------|--------------------------|
|         |   | Qty. in MT/KL    | Value ₹ in lakhs   | Qty. in MT/KL    | Value ₹ in lakhs   | Qty. in MT/KL          | Value ₹ in lakhs         |
| 1.      | Solvent Extracted Coconut oil                 | 59<br>(103)      | 27.64<br>(34.41)   | 550<br>(59)      | 292.46<br>(27.64)  | 1,170<br>(3,880)       | 888.21<br>(2,271.72)     |
| 2.      | De-oiled Coconut Cake                         | 3,152<br>(1,975) | 285.68<br>(175.59) | 1,454<br>(3,152) | 150.59<br>(285.68) | 25,269<br>(25,050)     | 3,778.42<br>(3,367.23)   |
| 3.      | Ready-mixed Cattle Feed and Feed Supplement } | 1,961<br>(1,864) | 208.51<br>(182.45) | 2,421<br>(1,961) | 265.75<br>(208.51) | 3,65,947<br>(3,20,216) | 44,072.24<br>(36,497.27) |
| 4.      | Refined Oil                                   | 5<br>(123)       | 2.69<br>(48.85)    | 240<br>(5)       | 146.34<br>(2.69)   | 4,112<br>(1,605)       | 3,277.03<br>(1,230.55)   |
| 5.      | Milk  | 18<br>(20)       | 3.86<br>(3.70)     | 13<br>(18)       | 3.05<br>(3.86)     | 4,244<br>(4,693)       | 1,159.40<br>(1,130.82)   |
| 6.      | Ice Cream                                     | 30<br>(22)       | 11.09<br>(7.48)    | 40<br>(30)       | 18.49<br>(11.09)   | 865<br>(861)           | 497.54<br>(460.61)       |
| 7.      | Others  |                  | 16.05<br>(15.58)   |                  | 16.84<br>(16.05)   |                        | 549.16<br>(409.83)       |
| Total   |   |                  | 555.52<br>(468.04) |                  | 893.52<br>(555.52) |                        | 54,222.00<br>(45,368.03) |

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

## 29.12 Raw materials consumed

|                      | Units | Year ended 31 <sup>st</sup> March 2012 |            | Year ended 31 <sup>st</sup> March 2011 |            |
|----------------------|-------|--|------------|--|------------|
|                      |       | Qty.                                   | ₹ in lakhs | Qty.                                   | ₹ in lakhs |
| (a) Coconut Oil Cake | MT    | 76,274                                 | 12,132.71  | 73,540                                 | 9,877.68   |
| (b) Rice Bran        | MT    | 1,65,401                               | 14,495.80  | 1,49,315                               | 13,750.32  |
| (c) Cholaam          | MT    | 71,275                                 | 8,990.87   | 66,396                                 | 6,955.43   |
| (d) Cotton Seed Cake | MT    | 16,212                                 | 1,820.05   | 22,241                                 | 2,621.75   |
| (e) Milk             | KL    | 5,020                                  | 979.09     | 5,332                                  | 905.19     |
| (f) Others           |       |  | 6,946.02   |  | 4,037.19   |
| Total                |       |  | 45,364.54  |  | 38,147.56  |

## 29.13 Consumption of raw materials and stores and spares

|                       |  | Year ended 31 <sup>st</sup> March 2012 |            | Year ended 31 <sup>st</sup> March 2011 |            |
|-----------------------|--|--|------------|--|------------|
|                       |  | %                                      | ₹ in lakhs | %                                      | ₹ in lakhs |
| (a) Raw Materials     |  |  |            |  |            |
| Imported              |  | 3.89                                   | 1,765.86   | 4.87                                   | 1,858.85   |
| Indigenous            |  | 96.11                                  | 43,598.68  | 95.13                                  | 36,288.71  |
| Total                 |  | 100.00                                 | 45,364.54  | 100.00                                 | 38,147.56  |
| (b) Stores and Spares |  |  |            |  |            |
| Imported              |  | 1.15                                   | 3.93       | 3.45                                   | 9.70       |
| Indigenous            |  | 98.85                                  | 336.51     | 96.55                                  | 271.18     |
| Total                 |  | 100.00                                 | 340.44     | 100.00                                 | 280.88     |

|       |   | Year ended<br>31.03.2012<br>₹ in lakhs | Year ended<br>31.03. 2011<br>₹ in lakhs |
|-------|---|--|---|
| 29.14 | CIF value of imports - Raw materials  | 2,233.52                               | 1,295.05                                |
|       | - Capital goods   | 6.65                                   | 14.34                                   |
|       | - Stores and Spares   | 5.03                                   | 16.06                                   |
| 29.15 | Expenditure in Foreign Currency   | 0.16                                   | 0.07                                    |
| 29.16 | Earnings in Foreign Exchange  | Nil                                    | Nil                                     |
| 29.17 | Remittance in foreign currencies on account of dividend<br>(including remittance to NRE accounts) |  |   |
|       | i) No. of Non-Resident shareholders   | 24                                     | 25                                      |
|       | ii) No. of shares held by them  | 22,419                                 | 28,287                                  |
|       | iii) Dividend remitted in Foreign Currency  | Nil                                    | Nil                                     |

**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**  
(Firm No. 004532 S)  
Sd/-

(**C. Pankajakshan**, M. No. 12948)  
Partner  
Chartered Accountants

May 30, 2012

## SUMMARISED BALANCE SHEET FOR THE LAST FIVE YEARS

₹ in lakhs

|  | 2011-12        | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|----------------|---------|---------|---------|---------|
| <b>A. ASSETS</b>                         |                |         |         |         |         |
| 1. Net Fixed Assets:                     |                |         |         |         |         |
| Gross Fixed Assets                       | <b>7308.62</b> | 7194.27 | 6956.64 | 6450.64 | 5386.50 |
| Less Depreciation/amortisation           | <b>3725.22</b> | 3410.49 | 2962.55 | 2613.23 | 2447.57 |
|  | <b>3583.40</b> | 3783.78 | 3994.09 | 3837.41 | 2938.93 |
| 2. Investments                           | <b>7.50</b>    | 7.50    | 407.61  | 7.50    | 2.50    |
| 3. Long term advances and Current Assets | <b>5046.59</b> | 3919.18 | 3277.43 | 3270.91 | 2870.68 |
| Total assets                             | <b>8637.49</b> | 7710.46 | 7679.13 | 7115.82 | 5812.11 |
| <b>B. LIABILITIES</b>                    |                |         |         |         |         |
| 1. Secured and unsecured loans           | <b>2622.47</b> | 2525.16 | 2923.18 | 2999.08 | 1980.12 |
| 2. Other Liabilities                     | <b>2043.84</b> | 1849.95 | 1498.50 | 1313.41 | 1162.01 |
| Total liabilities                        | <b>4666.31</b> | 4375.11 | 4421.68 | 4312.49 | 3142.13 |
| <b>C. NET WORTH (A-B)</b>                | <b>3971.18</b> | 3335.35 | 3257.45 | 2803.33 | 2669.98 |
| <b>REPRESENTED BY</b>                    |                |         |         |         |         |
| 1. Share Capital                         | <b>320.00</b>  | 320.00  | 320.00  | 320.00  | 320.00  |
| 2. Reserves and Surplus                  | <b>3651.18</b> | 3015.35 | 2937.45 | 2483.33 | 2349.98 |
| Shareholder's equity                     | <b>3971.18</b> | 3335.35 | 3257.45 | 2803.33 | 2669.98 |

## SUMMARISED STATEMENT OF PROFIT AND LOSS FOR THE LAST FIVE YEARS

₹ in lakhs

|  | 2011-12         | 2010-11  | 2009-10  | 2008-09  | 2007-08  |
|--|-----------------|----------|----------|----------|----------|
| <b>A. EARNED FROM</b>  |                 |          |          |          |          |
| 1. Sales   | <b>54222.00</b> | 45368.03 | 37094.19 | 35007.87 | 28947.50 |
| 2. Other income  | <b>114.28</b>   | 68.04    | 133.69   | 95.52    | 96.87    |
|  | <b>54336.28</b> | 45436.07 | 37227.88 | 35103.39 | 29044.37 |
| <b>B. PAID AND PROVIDED FOR</b>                              |                 |          |          |          |          |
| 1. Raw materials and finished goods                          | <b>45026.54</b> | 38060.08 | 30222.60 | 28884.30 | 23383.29 |
| 2. Manufacturing, administrative, selling and other expenses | <b>4634.84</b>  | 4073.87  | 3533.13  | 3731.11  | 3497.95  |
| 3. Employees' benefits expenses                              | <b>2287.07</b>  | 1855.14  | 1498.68  | 1376.19  | 1166.90  |
| 4. Finance costs   | <b>341.32</b>   | 323.82   | 323.02   | 352.01   | 288.25   |
| 5. Depreciation/amortisation                                 | <b>459.47</b>   | 455.85   | 384.31   | 259.03   | 286.66   |
|  | <b>52749.24</b> | 44768.76 | 35961.74 | 34602.65 | 28623.05 |
| <b>C. PROFIT BEFORE TAX (A-B)</b>                            | <b>1587.04</b>  | 667.31   | 1266.14  | 500.74   | 421.32   |
| Less: Taxation   | <b>542.11</b>   | 217.50   | 438.87   | 180.20   | 163.00   |
| <b>D. NET PROFIT AFTER TAX</b>                               | <b>1044.93</b>  | 449.81   | 827.27   | 320.54   | 258.32   |
| <b>APPROPRIATED TO</b>                                       |                 |          |          |          |          |
| 1. Dividend  | <b>352.00</b>   | 320.00   | 320.00   | 160.00   | 112.00   |
| 2. Corporate dividend tax                                    | <b>57.10</b>    | 51.91    | 53.15    | 27.19    | 19.03    |
| 3. Retained in business                                      | <b>635.83</b>   | 77.90    | 454.12   | 133.35   | 127.29   |
|  | <b>1044.93</b>  | 449.81   | 827.27   | 320.54   | 258.32   |

## 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](mailto: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

KSE Limited  
Ice Cream Unit, Vedagiri,  
Kurumullur, Athirampuzha,  
Kottayam Dist. - 686 632.  
Tel: 0481 2538881

### 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 UNIT - OUT SOURCED

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

## BRANCH

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

