

## NOTICE

Notice is hereby given that the Forty Eighth Annual General Meeting of the members of Khoday India Limited, will be held on Monday the 29<sup>th</sup> December 2014 at 11.30 a.m at the Registered Office of the Company at "Brewery House", Kanakapura Main Road, Bangalore-560 062, to transact the following business:

### Ordinary Business:

- 1) To receive, consider and adopt the standalone and consolidated Financial Statements of the Company as at 31<sup>st</sup> March 2014 and the Reports of the Board of Directors and Auditors thereon.
- 2) To appoint a Director in place of Mr.K.R.Nithyanand who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr.K.H.Gurunath who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint auditors and fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to Section 139 (2) of the Companies Act, 2013, M/s Rangaraju & Associates, Chartered Accountants, Bangalore be and are hereby appointed as Auditors of the Company, to hold office for the residuary term of 3 years from the conclusion of this Annual General Meeting until the conclusion of the Annual General Meeting of the Company to be held in respect of the financial year 2016-17 on such remuneration as will be fixed by the Board of Directors."

### Special Business:

- 5) To consider, if thought fit to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED that pursuant to proviso to Section 196 (3) of the Companies Act, 2013, consent of the members be and is hereby given for the continuance of Mr.K.L.Srihari as Vice-Chairman & Managing Director, of the Company for the remainder of the term of his appointment for a period of 5 years from 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2015, on the same terms and conditions of the appointment effected vide the Special Resolution passed by the Members of the

Company at the 45<sup>th</sup> Annual General Meeting held on 28<sup>th</sup> October 2011".

6) To consider, if thought fit to pass with or without modification(s) the following resolution as a Special Resolution;

"RESOLVED that pursuant to proviso to Section 196 (3) of the Companies Act, 2013, consent of the members be and is hereby given for the continuance of Mr.K.L.A.Padmanabhasa, as Joint Managing Director, of the Company for the remainder of the term of his appointment for a period of 5 years from 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2015, on the same terms and conditions of the appointment effected vide the Special Resolution passed by the Members of the Company at the 45<sup>th</sup> Annual General Meeting held on 28<sup>th</sup> October 2011".

7) To consider, if thought fit to pass with or without modification(s) the following resolution as a Special Resolution;

"RESOLVED that pursuant to Sections 196, 197 and 198 read with Schedule V and other applicable provisions, if any of the Companies Act, 2013, consent of the members be and is hereby given for the re-appointment of Mr.K.L.Swamy Executive Director, of the Company for a period of 5 years from 26<sup>th</sup> April 2014 to 25<sup>th</sup> April 2019, on the remuneration and other terms and conditions as set out herein below:

1.	Tenure	26 <sup>th</sup> April 2014 to 25 <sup>th</sup> April 2019
2.	Salary	Rs.1,00,000/- (Rupees One Lakh Per month)
3.	Commission	1 % of the Net Profit of the Company but restricted to annual salary.
4.	Perquisites	Chauffeur driven car for official use. Free use of a mobile telephone and a fixed line telephone at residence. Subscription to Membership of two clubs excluding admission and life membership fees.

5.	Minimum remuneration	In the event of loss or inadequacy of profits in any financial year, salary as above shall be paid as minimum remuneration.
6.	Overall ceiling	In any event the total salary, commission & perquisites shall be within the overall ceilings as specified in Section II of Part II of Schedule V to the Companies Act, 2013.

Note: Profit for the purpose of the above managerial remuneration shall be as per computation under Sections 197 and 198 of the Companies Act, 2013.

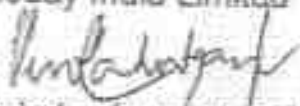
RESOLVED further that the Board of Directors be and is hereby authorized to modify, alter or amend the remuneration and other terms of appointment from time to time provided that such remuneration shall also be in conformity with the ceiling limits specified in Part II of Schedule V of Companies Act, 2013, or any statutory modifications or re-enactment thereof.

RESOLVED further that the Board of Directors or the Committee thereof be and is hereby authorized to take all such steps as may be necessary, proper, or expedient to give effect to this resolution."

7) To consider, if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED that Mrs. Pamela Sunawala, who was appointed as an Additional Director under Section 161 of the Companies Act, 2013 read with Article 30 of the Articles of Association of the Company and who holds office until this Annual General Meeting be and is hereby appointed as Director of the Company liable to retire by rotation."

By order of the Board  
For Khoday India Limited

  
(R. Venkat Subramanyam)  
Company Secretary

Place: Bangalore  
Date : 15<sup>th</sup> November 2014

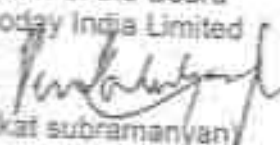


Notes:

- A. A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the Company.
- B. A blank Proxy Form and Attendance Slip are enclosed. The instrument appointing the proxy should however, be deposited at the Registered office of the Company not less than 48 hours before the commencement of the Meeting. Members /Proxies are requested to bring their attendance slip along with their copy annual report to the Meeting.
- C. An explanatory statement pursuant to Section 102 of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed herein.
- D. Members/Proxies are advised to bring their Attendance slip along with their copy of the Annual Report to the Meeting. Members who hold shares in dematerialized form are requested to write their Client ID / DP ID Nos. and those who hold shares in Physical Form are requested to write their Folio No. in the Attendance slip.
- E. In compliance with Section 152 (6) of the Companies Act, 2013 read with Article 37 (A) of the Articles of Association of the Company, the two non-executive Directors viz., Mr.K.R.Nithyanand and Mr.K.H.Gurunath retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The particulars of these Directors as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges are provided in the Corporate Governance Report forming part of the Annual Report. The Board of Directors of the Company commends their respective re-appointments.
- F. In compliance with Section 196 of the Companies Act, 2013, two separate special resolutions are proposed to be considered for adoption at the ensuing AGM for the continuation of appointment of Mr.K.L.Srihari, Vice-Chairman and Managing Director and Mr.K.L.A. Padmanabhasa, Joint Managing Director.
- Further, another special resolution for the re-appointment of Mr.K.L.Swamy, Executive Director further period of 5 years from 26-04-2014 to 25-04-2019 is proposed to be considered at the ensuing AGM. The particulars of all the three Whole-time Directors are provided in the Corporate Governance Report forming part of the Annual Report.

Place: Bangalore  
Date : 15<sup>th</sup> November 2014

By order of the Board  
For Khoday India Limited

  
(R. Venkat subramanian)  
Company Secretary

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

**Item Nos: 5**

**Continuation of appointment of Mr.K.L.Srihari as Vice-Chairman and Managing Director:**

Mr.K.L.Srihari was re-appointed as Vice- Chairman & Managing Director of the Company for a period of 5 years from 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2015, pursuant to the Special Resolution passed by the Members of the Company at the Annual General Meeting held on 28<sup>th</sup> October 2011. Even though, Mr.Srihari is 75 years of age, his vast and rich experience in helming the Company combined with his undiminished business acumen and skills are essential for the Company's business. Mr.Srihari's continuation as Vice-Chairman and Managing Director for the remainder of the current term of appointment, after 01-04-2014 is subject to the approval by the Members by a Special Resolution, in terms of Section 196 (2) of the Companies Act, 2013. The terms and conditions of his appointment already approved by the Members, remains unchanged.

Your Board recommends the adoption of the resolution.

None of the Independent Directors is directly or indirectly concerned or interested in the resolution.

**Item no. 6:**

**Continuation of appointment of Mr.K.L.A.Padmanabhasa as Joint Managing Director:**

Mr.K.L.A.Padmanabhasa, was re-appointed as Joint Managing Director of the Company for a period of 5 years from 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2015, pursuant to the Special Resolution passed by the Members of the Company at the Annual General Meeting held on 28<sup>th</sup> October 2011. Even though Mr.Padmanabhasa is 73 years of age, his vast and rich experience gained in functioning as Joint Managing Director combined with his undiminished business acumen and wise counsel are essential for the Company's business. Mr.Padmanabhasa's continuation as Joint Managing Director for the remainder of the current term of appointment, after 01-04-2014 is subject to the approval by the Members by a Special Resolution, in terms of Section 196 (2) of the Companies Act, 2013. The terms and conditions of his appointment already approved by the Members, remains unchanged.

Your Board recommends the adoption of the resolution.

None of the Independent Directors is directly or indirectly concerned or interested in the resolution.

**Re-appointment of Mr.K.L.Swamy, Executive Director:**

Mr.K.L.Swamy was re-appointed as Whole-time Director designated as Executive Director of the Company for a period of 5 years from 26<sup>th</sup> April 2009 to 25<sup>th</sup> April 2014, pursuant to the approval accorded by the Members for a resolution passed in that behalf at the Annual General Meeting held on 30<sup>th</sup> September 2009. The Board of Directors at its meeting held on 13<sup>th</sup> February 2014, re-appointed Mr.K.L.Swamy as Director of the Company for a further period of 5 years from 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2015, on the terms and conditions as set out in the resolution and as approved by Remuneration Committee of the Board of Directors at its meeting held on 13<sup>th</sup> February 2014. The approval of the Members at the ensuing Annual General Meeting is sought for his re-appointment,

Your Board recommends the adoption of resolution for the re-appointment of Mr.K.L.Swamy.

None of the Independent Directors is directly or indirectly concerned or interested in the resolution.

**Appointment of Mrs. Pamela Sunawala as Director**

Mrs. Pamela Sunawala, was appointed as Additional Director at the meeting of the Board of Directors of the Company held on 08<sup>th</sup> September 2014, pursuant to Article 30 of the Articles of Association of the Company, holds office only up to the ensuing Annual General Meeting under Section 161 of the Companies Act, 2013. Mrs. Pamela Sunawala has expressed her willingness to continue in office and the Company has also received a notice under Section 160 of the Companies Act, 2013, from a member of the Company along with a the requisite deposit proposing the candidature of Mrs. Pamela Sunawala for the office of Director. The detailed profile Mrs. Pamela Sunawala is given in the Corporate Governance Report.

Your Board recommends the adoption of resolution for the appointment of Mrs. Pamela Sunawala.

None of the Directors excepting the appointee director is directly or indirectly concerned or interested in the resolution.

# Khoday India Limited

**DISTILLERS, BREWERS & MALTSTERS**

Regd. Office : 'BREWERY HOUSE' 7<sup>th</sup> Mile, Kanakapura Road  
BANGALORE-560 093

## DIRECTORS' REPORT

Your Directors present the 48<sup>th</sup> Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2014.

### FINANCIAL HIGHLIGHTS (STAND ALONE):

		(Rs.in Lakhs)	
Sl.No.	Particulars	2013-14	2012-13
1.	Revenue from operations Other Income	17001.99 269.72	12400.88 58.03
2.	Total Revenue	17271.71	12458.99
3.	Profit / (Loss) before Tax	478.47	(2285.54)
4.	Provision for Taxation Current Tax	92.00	-
5.	Profit/(Loss) after Tax LESS: Income Tax for the earlier years LESS: Prior year adjustments	386.47 0.49 42.57	(2285.54) 19.75 7.18
6.	Net Profit/(Loss) for the year	343.40	(2312.47)
7.	Appropriation Dividend Dividend Tax	- -	- -
8.	Balance carried forward	343.40	(2312.47)
9.	EPS - Basic & Diluted	0.91	(6.15)

### REVIEW OF PERFORMANCE:

The Company's net income has registered a significant increase of about Rs.48.13 Crores over the previous year thereby aiding the turn around to post a net profit of Rs.3.43 Crores.

### DIVIDEND:

With view to improve the cash position and thus improve business operations, the management has decided to plough back the entire profit earned. Hence your Directors do not propose any dividend for the year.

### DIRECTORS:

- 1) Re-appointment of directors retiring by rotation.

In accordance with Article 37(A) of the Articles of Association of the Company Mr.K.R.Nithyanand and Mr.K.H.Gurunath the



Non-Executive Directors retire by rotation and being eligible have offered to be re-appointed.

2) Continuation of appointment of Mr.K.L.Srihari, Vice – Chairman & Managing Director

Mr.K.L.Srihari and was re-appointed as Vice- Chairman & Managing Director of the Company for a period of 5 years from 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2015, pursuant to the Special Resolution passed by the Members of the Company at the Annual General Meeting held on 28<sup>th</sup> October 2011. In accordance with Section 196 (3) of the Companies Act, 2013, the continuation of a Whole-time Director of a Company beyond 70 years of age requires the approval of the Members of the Company. Even though, Mr.Srihari is 75 years of age, his vast and rich experience in helming the Company combined with his undiminished business acumen and skills are essential for the Company's business. Mr.Srihari's continuation as Vice-Chairman and Managing Director for the remainder of the current term of appointment, after 01-04-2014 is subject to the approval by the Members by a Special Resolution, in terms of Section 196 (2) of the Companies Act, 2013. The terms and conditions of his appointment already approved by the Members, remains unchanged.

3) Continuation of appointment of Mr.K.L.A.Padmanabhasa, Joint Managing Director

Mr.K.L.A.Padmanabhasa and was re-appointed as Joint Managing Director of the Company for a period of 5 years from 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2015, pursuant to the Special Resolution passed by the Members of the Company at the Annual General Meeting held on 28<sup>th</sup> October 2011. In accordance with Section 196 (3) of the Companies Act, 2013, the continuation of a Whole-time Director of a Company beyond 70 years of age requires the approval of the Members of the Company. His vast and rich experience in helming the Company combined with his undiminished business acumen and skills are essential for the Company's business. Mr.Padmanabha's continuation as Joint Managing Director for the remainder of the current term of appointment, after 01-04-2014 is subject to the approval by the Members by a Special Resolution, in terms of Section 196 (2) of the Companies Act, 2013. The terms and conditions of his



appointment already approved by the Members, remains unchanged.

4) Re-appointment of Mr.K.L.Swamy, Executive Director:

In accordance with Section 196 (2) of the Companies Act, 2013, the present term of office of Mr.K.L.Swamy, who was appointed as Whole-time Director designated as Executive Director for a period of five years has ceased on 25<sup>th</sup> April 2014. Hence, at the Board Meeting held on 13<sup>th</sup> February 2014, your Directors have reappointed Mr.K.L.Swamy as Executive Director for a further period of 5 years, subject to the consent of the members for their respective reappointments and the terms thereof, at the ensuing Annual General Meeting.

5) Resignation of Director:

Mr.Sudhakar Shetty, Independent Director resigned from the Board w.e.f. 08<sup>th</sup> August 2014, owing to his personal and professional pre-occupation.

6) Appointment of Mrs. Pamela Sunawala as Director:

Mrs.Pamela Sunawala was appointed as Additional Director in the category of Independent Directors, w.e.f. 08<sup>th</sup> September 2014, in the casual vacancy caused by the resignation of Mr.Sudhakar Shetty.

Mrs. Pamela Sunawala has expressed her willingness to continue in office and the Company has also received a notice under Section 160 of the Companies Act, 2013, from a member of the Company along with the required deposit proposing the candidature of Mrs. Pamela Sunawala for the office of Director.

**AUDITORS :**

M/s Rangaraju & Associates, Chartered Accountants (Firm Registration no.6912S), the retiring Auditors were first appointed as Statutory Auditors during the financial year 2007-08. In accordance with Section 139 (2) read with Rule 6(3) of the Companies (Audit and Auditors) Rules 2014, they are eligible for re-appointment for the residuary term of 3 years from the conclusion of the ensuing Annual General Meeting until the conclusion of the Annual General Meeting to be held in respect of the financial year 2016-17 and at the meeting of the Board of

Directors held on 08<sup>th</sup> September 2014, they were accordingly re-appointed, subject to the approval of the members in the ensuing Annual General Meeting.

#### **REDUCTION OF PAID-UP EQUITY SHARE CAPITAL :-**

During June 2014, the Company filed a petition numbered 132/2014 before the Hon'ble High Court of Karnataka at Bangalore praying for an Order confirming the special resolution passed by the members at the Annual General Meeting held on 30<sup>th</sup> December 2013 for reduction of paid-up equity share capital by cancelling 39,31,042 shares held by the public, under Section 100 read with Sections 101 to 105 of the Companies Act, 1956.

The Hon'ble Court vide its Order dated 07<sup>th</sup> August 2014, allowed the Company's petition by confirming the said special resolution. Upon filing a certified copy of the said Order with the Registrar of Companies in Karnataka, Bangalore, the Registrar issued the Certificate of Registration dated 12<sup>th</sup> September 2014, for alteration by reduction of the paid-up equity share capital from Rs.37,59,12,370/- to Rs.33,66,01,950/-. Consequently the entire paid-up share capital of the Company presently held by its promoters and persons belonging to the promoter group.

Subsequently, about 6 weeks thereafter, Securities and Exchange Board of India (SEBI), filed an Application numbered CA 1415/ 2014, before the same Court on 22<sup>nd</sup> September 2014, seeking to implead itself in the Company's petition to which the Company has filed its objection and sought to dismiss the Application as not maintainable. The said Application is pending disposal.

In the mean while, the Company's consistent efforts to implement the Court's Order by fixing the Record Date first on 29-09-2014 and subsequently on 10-10-2014, for the purpose of drawing up the list of public shareholders entitled to payment in respect of the shares so cancelled, has been delayed by BSE Limited, for which appropriate action is being considered.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO, IF ANY:**

The information with respect to Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo is furnished at Annexure 'A'.

## PARTICULARS OF EMPLOYEES

No employee of the Company was in receipt of a remuneration exceeding Rs.5 Lakhs per month or Rs.60 Lakhs per annum, during the financial year.

## INDUSTRIAL RELATIONS:

Industrial Relations were cordial throughout the year under review. Your Directors appreciate the dedicated services and co-operation of employees at all levels.

## CORPORATE GOVERNANCE:

A separate section on Corporate Governance is included in the Annual Report. The Company has complied with the requirements of Corporate Governance as stipulated in clause 49 of the Listing Agreement. The Certificate obtained from the Company's Auditors on compliance with Corporate Governance requirements is annexed thereto.

### Exemption from attaching the balance sheet of Company's wholly owned subsidiary M/s. Khoday Properties Private Limited.

The Company has availed exemption from attaching to its own balance sheet, the balance sheet of Company's wholly owned subsidiary M/s. Khoday Properties Private Limited pursuant to General Circular 02/2011 dated 08<sup>th</sup> February 2011 issued by the Ministry of Corporate Affairs under Section 212 of the Companies Act, 1956. In compliance therewith, your directors undertake to provide such information as may be sought by the Company's shareholders about the accounts of Khoday Properties Private Limited for the financial year 2013-14. Copies of the audited balance sheet of Khoday Properties Private Limited as at 31<sup>st</sup> March 2014 and the statement of profit and loss for the year ended on that date have been kept for inspection by the Company's shareholders, both at the Registered Office of the Company and that of Khoday Properties Private Limited. A statement pursuant to Sec. 212 (8) is annexed at page no. ....

## DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors further report that:-

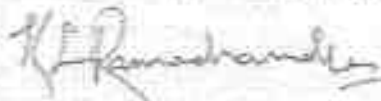


- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there were no material departures;
- ii. the accounting policies selected by them were applied consistently, judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2014 and of the profit of the Company for the period ended 31<sup>st</sup> March 2014;
- iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the annual accounts have been prepared on a going concern basis.

**ACKNOWLEDGEMENTS:**

Your Directors thank the customers, vendors, investors, bankers, financial institutions, Central and State Governments for their continued support and co-operation extended to the Company.

For and on behalf of the Board of Directors  
For Khoday India Limited



Chairman

Date: 15<sup>th</sup> November 2014  
Place: Bangalore

## Annexure "A" to Directors' Report

### FORM – A

#### Conservation of Energy:-

- Optimum plant load factor was ensured during the manufacturing cycle resulting in considerable savings in energy costs.
- Fans, lights and other electrical devices were switched off when not in use thereby achieving energy saving to a considerable extent. Regular lighting is increasingly being switched to CFLs.
- Replacement of capacitors resulted in better power factor and the resultant savings in power costs.

The other disclosures of particulars in Form A are not applicable, as the production in Company's glass manufacturing unit has ceased w.e.f. 01-07.2010.

### FORM – B (See Rule 2)

2. RESEARCH & DEVELOPMENT EFFORTS: No Research & Development activities were undertaken by the Company during the year.

3. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:  
The Company did not introduce any new technology in its manufacturing process during the year.

(in Rs.000s)

### 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

<u>PARTICULARS</u>	<u>31-03-2014</u>	<u>31-03-2013</u>
A. FOREIGN EXCHANGE OUT GO	18211	17437
B. FOREIGN EXCHANGE EARNINGS	1520	3086

## ANNEXURE TO DIRECTORS' REPORT

### MANAGEMENT DISCUSSION AND ANALYSIS

**Industry structure and developments:** The alcoholic beverages industry in India is made up of Indian Made Foreign Liquor (IMFL), Beer, Wine, Country Liquor and imported alcoholic beverages. The IMFL segment of the industry recorded a growth of about 4% during the year and your Company's aggregate volume of sales recorded a growth of about 3.8%. The premium brands of IMFL such as "Peterscot", "Red Knight Select" and "Red Knight Reserve" brands of whisky carved out a market share of about 2%. The product distribution in most states is managed through the respective State Beverages Corporation.

**Opportunities and threats:** The projected GDP growth of about 5.6% for 2014-15, though modest, presents an opportunity for increased consumer spends on alcoholic beverages. However, the continuing increase in taxes which constitute nearly 2/3rds of shelf price of the premium brands, the absence of uniform rates of taxes and the diverse policies of the state governments on marketing and the restriction on advertising in both the print and electronic media are the major dampeners for higher rates of growth. The consistent reduction in custom duties on imported spirits resulting in easy availability of multinational brands constitutes another challenge for the Company.

**Segment wise/ product wise performance:**

The revenue for the Company was generated through business operations in the product segments of Liquor, Glass, Contract, Systems and "Others" comprising miscellaneous activities. The Liquor segment generated a gross revenue of Rs.459.47 crores but posted a loss of Rs.1.33 crores. The Glass segment did not generate any revenue, hence, the expenditure of Rs.1.13 crores, incurred has been booked as loss. The Contract segment registered a gross revenue of Rs.26.76 crores and a profit of Rs.26.75 crores. The Systems segment did not generate any revenue, hence, the expenditure of Rs.1.26 crores has been booked as loss. The "Others" segment registered a revenue of Rs.91.55 lakhs, however, the excess of expenditure of Rs.1.54 crores over the income has been booked as loss.

**Outlook:** The IMFL segment of the industry in particular is expected to register a growth of about 13% and your Company has plans to improve sales volumes during 2014-15 by about 7%.



Business risks and mitigatory efforts: The business risks for the Company could be broadly classified as follows:

(i) Raw material procurement :- The risk of non-availability of extra neutral alcohol in adequate quantities is managed through forward contracts for uninterrupted supplies.

(ii) Timely and adequate availability of working capital:- The Company faces the twin risk of timely availability of funds in adequate measure as also the steep interest rates charged by the banks, which are managed through a close monitoring of the working capital needs and timely borrowing through hard negotiations with the lenders by the top management on a regular basis.

(iii) Product prices and competition :- The Company operates in a highly competitive business environment characterized by availability of various products both domestically produced and imported, at different price points. The risk from competitive product pricing is managed through adherence to high quality standards and product differentiation.

(iv) Regulatory issues :- The high incidence of taxes and the absence of the uniform regulatory regime for taxation and distribution through out the country, impedes the Company's efforts to improve its sales volumes. These issues are regularly being taken up with the Government through the industry Associations of which the Company is an active Member.

Internal Control System : The Company follows a system of internal controls to ensure effectiveness and efficiency of operations, safeguard of assets, the reliability of financial reporting and compliance with applicable laws and regulations.

Financial performance vis-à-vis Operational performance:

The Company's net income has registered a significant increase of about Rs.48.13 Crores over the previous year thereby aiding the turn around to post a net profit of Rs.3.43 Crores .

Material development in human resources / industrial relations front: The Company's efforts are directed at improving employee output across all levels through operational efficiency and higher levels of motivation. The industrial relations in all the units of the company remained cordial throughout the year.

Cautionary statement: Statements in the Management Discussion and Analysis prescribing the Company's objectives, projections,

estimates, expectations may be "forward-looking statements" within the meaning of applicable security laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the markets in which the Company operates, changes in the Government Regulations, Tax Laws and other statutes and incidental factors.

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## CORPORATE GOVERNANCE REPORT

### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The Company believes that good governance is essential to achieve long term Corporate goals and enhance shareholders' value and accordingly has established transparency of procedures and reporting systems for dealing, dissemination of information with due disclosures, strict adherence to statutory and regulatory prescription and increasing accountability to its shareholders, bankers and customers. All matters of strategy, significant developments etc. are routinely placed before the Board. The 2 committees of the Board viz., Audit Committee and Stakeholders Relationship Committee meet regularly to transact business in respect of all matters entrusted to them. The Company also have constituted two other committees viz., i) Nomination and Remuneration Committee for the purpose of considering and recommending the appointment of directors and senior management personnel and payment of remuneration to them and ii) Committee on Reduction of Share Capital, for over seeing the procedural matters arising out of the Order passed by the Hon'ble High Court of Karnataka, Bangalore, allowing the Company's petition COP : 132/2014 in the matter of Reduction of Capital, under the authority given by the Special Resolutions passed by the Members at the Annual General Meeting of the Company held on 30<sup>th</sup> December 2013.

### 2. BOARD OF DIRECTORS:

The Board of Directors along with its Committees provide leadership and guidance to the Company's management and directs, supervises and controls the performance of the Company.

Composition :

The Board presently comprises 14 Directors of whom 3 are Executive Promoter Directors, 4 are Non-executive Promoter Directors and 7 are Independent Non-executive Directors. The Company has a Non-executive Chairman.

Both the Executive & Non-executive Directors were not paid any remuneration during the year other than Sitting Fees paid to the Non-Executive Directors for attending the Meetings of the Board and Committees thereof.

The details of the attendance of the Directors at the Board Meetings & last Annual General Meeting and directorships in other companies are as under:-



Name of Directors	Designation	Category	No. of Board Meetings attended	Attendance at the last AGM held on 30-12-2013	No. of directorships in public companies other than Khoday India Limited	No. of memberships held in Committees of the Board of Khoday India Limited
Mr.K.L. Ramachandra	Chairman	Promoter-Non-Executive	3	Present	8	1-Member
Mr..K.L.Srihari	Vice Chairman & Managing Director	Promoter-Executive	4	Present	10	1-Member
Mr.K.L.A. Padmanabhasa	Joint Managing Director	Promoter-Executive	4	Present	9	-
Mr..K.L.Swamy	Executive Director	Promoter-Executive	4	Present	8	1-Member
Mr..Khoday Swamy Giridhar	Director	Promoter - Non Executive	4	Present	1	1 Chairman
Mr..Khoday Ramachandra Nithyanand	Director	Promoter - Non Executive	4	Present	6	-
Mr..Khoday Srihari Gurunath	Director	Promoter - Non Executive	4	Present	7	-
Prof.L.R.Vagale	Director	Independent- Non Executive	-	-	-	1-Member 1-Member
Maj.Gen.(Retd.) M.K.Paul	Director	Independent- Non Executive	4	Present	-	1-Chairman 1-Chairman
Mr.Bangra Kulur Ratnakar Rao	Director	Independent- Non Executive	3	-	-	-
Mr.Sudhakar Shetty *	Director	Independent - Non Executive	4	Present	1	2- Member
Mr.Damam Vittalsa Sathyanarayana	Director	Independent - Non Executive	4	Present	-	-
Mr.Puranic Ramachar Ananda Murthy	Director	Independent - Non Executive	3	Present	-	-

Mr.Dowray Prabhakara Rao	Director	Independent - Non Executive	3	Present	-	-
Mrs.Pamela Sunawala **	Director	Independent - Non Executive	-	-	-	-

\* Mr.Sudhakar Shetty resigned as Independent Director w.e.f. 08<sup>th</sup> August 2014.

\*\* At the Board Meeting held on 08<sup>th</sup> September 2014, Mrs.Pamela Sunawala was appointed as Additional Director, in the category of Independent Director in the Casual Vacancy caused by the resignation of Mr.Sudhakar Shetty.

During the financial year 2013-14, 4 Board meetings were held i.e on 29-05-2013, 07-08-2013, 05-11-2013 & 13-02-2014.

Note: The directors are not on the committee of the Board of any company other than Khoday India Limited.

Disclosures concerning Directors retiring by rotation and proposed to be re-appointed

i) Mr.Khoday Ramachandra Nithyanand,

Mr.K.R.Nithyanand son of Mr. K.L. Ramachandra Chairman, belongs to the fourth generation of the illustrious Khoday family. Mr.Nithyanand was earlier a Director of Khoday India Limited during the period from June 1986 to March 2002, when he resigned to assume charge of day-to-day manufacturing operations at Khodays Breweries Limited. Mr.Nithyanand has played a key role in bagging the contract for manufacture and bottling by Khodays Breweries Ltd, of the well known "Australian Max" Brand of Beer for Interbrands Beverages Private Limited and Knock Out Brand of Beer for SAB Miller (India) Private Limited.

Aged about 55 years, Mr.Nithyanand is a graduate in science. He has actively associated with the various facets of business in the Khoday Group of Industries. Mr.Nithyanand holds 72,007 equity shares of Khoday India Limited in his name as on 31<sup>st</sup> March 2014 as well as on 15-11-2014. Mr.Nithyanand is also a Director of 6 other public companies and 13 private companies in the Khoday Group.

ii) Mr. Gurunath Srihari Khoday,

Mr.K.H.Gurunath son of Mr. K.L.Srihari, Vice-Chairman and Managing Director, belongs to the fourth generation of the illustrious Khoday family. Mr.Gurunath was earlier a Director of Khoday India Limited during the period from June 1986 to March 2002, when he resigned to assume charge of day-to-day manufacturing operations at the Company's plant at Kannayakana Agrahara, Bangalore.

Aged about 51 years, Mr.Gurunath is a Graduate in Science. Being an Industrialist, he is actively associated with the various facets of business in the Khoday Group of Industries. Mr.Gurunath is also a Director of 6 Public Companies and a Private Company in the Khoday Group. Mr.Gurunath holds 35,964 equity shares of Khoday India Limited in his name as on 31<sup>st</sup> March 2014 as well as on 15-11-2014

Disclosures concerning resolutions for continuation of appointment of Vice-Chairman & Managing Director, Joint Managing Director, re-appointment of Executive Director and appointment of Independent Director

(i) Mr.K.L.Srihari: - Mr.K.L.Srihari, aged 75 years is the Vice-Chairman and Managing Director of the Company. Mr.Srihari being the second of the illustrious Khoday Brothers, is an Industrialist by profession, steering the business of the Khoday Group of Companies for over 40 years through his vast business knowledge, acumen, dynamism and practical approach.

Mr.Srihari is a philanthropist of renown and has single handedly taken upon himself the on going gigantic project of relocating and restoring the ancient "Sri Venugopala Swamy Temple" near Mysore which was submerged soon after the building of KRS dam. The versatile Mr.Srihari is also a great patron of fine arts.

Mr.Srihari is a Member of the Stakeholders Relationship Committee of Directors of the Company.

Mr.Srihari is a Director in 10 public companies and 35 private companies in the Khoday Group.

Mr.K.L.Srihari holds 83,82,241 equity shares of the Company in his name as on 31<sup>st</sup> March 2014 as well as on 15-11-2014.

(ii) Mr.K.L.A Padmanabhasa: - Mr.K.L.A.Padmanabhasa, aged 73 years is the third of the illustrious Khoday Brothers. Mr. Padmanabhasa is the Joint Managing Director in charge of RCA Division of the Company. The pragmatic Mr. Padmanabhasa is an Industrialist by profession for over 40 years, closely associated with all the aspects of business in the Khoday Group. His wise counsel is immensely relied upon by all his brothers in the Khoday Group of Companies.

Mr. Padmanabhasa is a Director in 9 public companies and 33 private companies in the Khoday Group.

Mr. Padmanabhasa holds 61,76,057 equity shares of the Company in his name as on 31<sup>st</sup> March 2014 as well as on 15.11.2014.

(iii) Mr.K.L.Swamy, aged 67 years is the youngest of the illustrious Khoday Brothers. Mr.Swamy is an Industrialist by profession, actively associated with the business conglomerate of the Khoday Group of Companies. Renowned for his business acumen, administrative skills & dynamism, the articulate Mr.Swamy oversees the production, marketing and distribution network of the products in the Khoday Group. He has been the Executive Director of Khoday India Limited 1969.

Mr.Swamy is a Member of the Share Transfer cum Investor Grievances Committee of Directors of the Company.

Mr.Swamy is a Director in 8 public companies and 37 private companies in the Khoday Group.

Mr.K.L.Swamy holds 61,64,297 equity shares of the Company in his name as on 31<sup>st</sup> March 2014 as well as on 15-11-2014.

iv) Mrs. Pamela Sunawala

Mrs.Pamela Sunawala is 63 years of age and holds B.A.(Hons) Degree as well as Law Degree (LLB) from Bangalore University. Mrs.Sunawala possesses rich administrative experience in varied fields in the corporate sector and the Company looks forward to benefit from her wise counsel. Mrs. Pamela Sunawala holds 150 equity shares of the Company in her name as on 31<sup>st</sup> March 2014 as well as on 15.11.2014.

**Code of Business Conduct and Ethics :**

The Company has formulated a comprehensive Code of Business Conduct and Ethics applicable to Directors and Senior Management Personnel all of whom have affirmed adherence to the said code through individual declarations.



### 3. AUDIT COMMITTEE.

The Audit Committee of the Board of Directors was constituted during the year 1991 itself and has been meeting regularly ever since, long before the introduction of Sec.292A of the Companies Act, 1956 by Companies (Amendment ) Act 2000 vide which public companies with a paid up capital of not less than Rs.5 Crores are required to constitute an Audit Committee. The Committee oversees the Company's financial reporting process and the disclosure of its financial information to ensure correctness of such reporting and disclosure. The Committee ensures compliance with requirements as to the audited annual financial statements & un-audited quarterly financial statements furnished to the stock exchanges under the Listing Agreement. Statutory payments by the Company to various authorities are also reviewed by the Committee.

The Audit Committee presently comprises 4 members viz., Mr.K.L.Ramachandra - Non-Executive Director, and other 3 Independent non-executive Directors viz., Prof.L.R.Vagale, Maj.Gen.(Retd.)M.K.Paul & Mr.D.V.Sathyanarayana. The Company Secretary acts as the Secretary to the Committee. Maj.Gen.(Retd.)M.K.Paul is the Chairman of the Committee. The Audit Committee Meetings were held on 24-04-2013, 29-05-2013, 07-8-2013, 05-11-2013 & 13-02-2014.

Name of Members	Designation	Category	No. of Audit Committee Meetings attended
Mr.K.L.Ramachandra	Member	Promoter-Non-Executive	5
Prof.L.R.Vagale	Member	Independent-Non Executive	1
Maj.Gen.(Retd.) M.K.Paul	Chairman	Independent-Non Executive	5
Mr.Sudhakar Shetty (resigned w.e.f. 08-08-2014)	Member	Independent - Non Executive	5

#### 4. NOMINATION AND REMUNERATION COMMITTEE:-

The 'Nomination and Remuneration Committee' constituted for the purpose of considering and recommending the appointment of directors and senior management personnel and payment of remuneration to them comprises the three Independent Non-executive Directors viz., Maj.Gen.(Retd.) M.K.Paul, Prof.L.R.Vagale & Mr.D.V.Sathyanarayana. The Committee held its only meeting on 13-02-2014 during the financial year.

#### 5. COMMITTEE ON REDUCTION OF SHARE CAPITAL

The Committee on Reduction of Share Capital, was constituted by the Board of Directors at its meeting held on 08<sup>th</sup> September 2014, for overseeing the procedural matters arising out of the Order passed by the Hon'ble High Court of Karnataka, Bangalore, allowing the Company's petition COP : 132/2014 in the matter of Reduction of Capital, under the authority given by the Special Resolutions passed by the Members at the Annual General Meeting of the Company held on 30<sup>th</sup> December 2013. The Committee comprises three Independent Non-executive Directors viz., Maj.Gen.(Retd.) M.K.Paul, Mr.B.K.Ratnakar Rao & Mr.P.R.Ananda Murthy and the Promoter Director Mr.K.S.Giridhar.

#### 6. SHAREHOLDERS/ INVESTORS' GRIEVANCE COMMITTEE:

The Stakeholders Relationship Committee is constituted to consider and approve transfer, transmission of shares and other incidental aspects. It comprises of 3 Directors viz. Mr.K.S.Giridhar, the Non-Executive Director is the Chairman of the Committee and Mr.K.L.Srihari & Mr.K.L.Swamy are the other two members. Mr.R.Venkat subramanyan, Company Secretary functions as the Compliance Officer.

During the year, the Committee met 19 times.

The Company received in all 16 complaints directly from shareholders, BSE Limited as well as through SEBI SCORES & Registrar of Companies, all of which were redressed to the satisfaction of shareholders within 30 days of receipt.

## 7. GENERAL BODY MEETINGS:

### A) Particulars of last three Annual General Meetings held:

AGM	Financial year ended	Venue	Date	Time	Whether Special Resolution passed
47 <sup>th</sup>	31-3-2013	Shravanti Kalyana Mantapa, Bangalore	30-12-2013	11.30 A.M.	Yes. A special resolution for alteration of articles of association and another special resolution for Reduction of paid-up equity share capital were passed
46 <sup>th</sup>	31-3-2012	Shravanti Kalyana Mantapa, Bangalore	30-10-2012	12.00 Noon	Yes. Passed for appointment of Director.
45 <sup>th</sup>	31-3-2011	Shravanti Kalyana Mantapa, Bangalore	28-10-2011	12.00 Noon	Yes. Passed for re-appointment of Vice-Chairman and Managing Director & Joint Managing Director.

### POSTAL BALLOT:

Two separate special resolutions concerning the alteration of articles of association and Reduction of paid-up equity share capital were passed through postal ballot as well as through manual voting at the previous Annual General Meeting held on 30<sup>th</sup> December 2013. Further, at the ensuing Annual General Meeting scheduled to be held on 29<sup>th</sup> December 2014, three special resolutions are proposed to be considered.

### DISCLOSURES:

- (i) Attention of the Members is drawn to the disclosures of transactions with related parties as set out in the Note no: 36 of Notes on Accounts, forming part of this Annual Report. The

Company's related party transactions are generally with other companies in the Khoday Group and the transactions are entered in to based on considerations of business exigencies. All related party transactions are negotiated on arms length basis, intended only to further the interests of the Company.

The Company has consistently followed and applied the Accounting treatment in respect of various transactions, as prescribed in the Accounting Standards, without any deviation.

(ii) Remuneration to Directors:

(a) None of the Directors under both the Executive and Non-executive category have been paid any remuneration by the Company during the year, excepting Sitting Fees paid to the Non-executive Directors for attending the Meetings of the Board and the Committees thereof, as detailed below.

Sl.No.	Name of the Director (Non-Executive)	Sitting Fees paid during the year
1.	Maj.Gen(Retd.) M .K. Paul	15,750/-
2.	Prof.L.R.Vagale	1,750/-
3.	Mr.Bangra Kulur Ratnakar Rao	5,250/-
4.	Mr.Sudhakar Shetty	15,750/-
5.	Mr.D.V.Sathyanarayana	7,000/-
5.	Mr.P.R.Ananda Murthy	5,250/-
7.	Mr.D.Prabhakara Rao	5,250/-

Note: 1) The sitting fees paid as above is well within the prescribed limit.  
2) No sitting fees was paid to any of the Executive Directors.

b) Details of Shareholding of Non-Executive Directors of the Company:

Of the eleven Non-Executive Directors Mr.K.L.Ramachandra who is also the Chairman holds 62,17,863 shares of the Company. Mr.K.S.Giridhar, Mr.K.R.Nithyanand and Mr.K.H.Gurunath hold 72,000, 36007 and 35,964 shares of the Company in their respective names. The 7 Independent and Non-Executive Directors viz., Prof.Vagale, Maj.Gen(Retd.) M.K.Paul, Mr.Bangra Kulur Ratnakar Rao, Mr.P.R.Anandamurthy, Mr.D.V.Sathyanarayana, Mr.D.Prabhakara Rao and Mrs.Pamela Sunawala do not hold any shares of the Company in their name.



iii) The Company has complied with the requirements of regulatory authorities on capital markets and no penalties/strictures have been imposed during the last three years. On 04<sup>th</sup> June 2013, an interim order was issued by Securities and Exchanges Board of India (SEBI) in the matter of non compliance by the Company with the minimum public shareholding norm as mandated under Clause 40 A of the Listing Agreement, vide which i) the voting right in respect of shares held by the persons in the promoters/ promoter group of the Company was frozen and restricted to 1/3 of the entitlement, i.e. to the extent of 31.38 % ii) the buying and selling or otherwise dealing in securities of the Company held by the promoters was prohibited and iii) the promoters and directors of the Company were restrained from holding any new position as a director in any listed company. The Company vide its letter dated 11<sup>th</sup> June 2013 filed a detailed reply mentioning that it had already filed a Scheme of Reduction of Paid-up Equity share capital to the extent of entire public shareholding with BSE Limited on 03<sup>rd</sup> May 2013, which was pending disposal by the Stock Exchange. However, on 24<sup>th</sup> July 2014 SEBI passed its final order confirming the interim order, against which the Company has on 05<sup>th</sup> September 2014 has filed an Appeal before Securities Appellate Tribunal, on the strength of the Order dated 07<sup>th</sup> August 2014 passed by the Hon'ble High Court of Karnataka, confirming the Special Resolution passed by the members at the Annual General Meeting held on 30<sup>th</sup> December 2013, in the matter of Reduction of Paid-up Equity Share Capital to the extent of entire public shareholding. The appeal is pending disposal.

iv) CEO/CFO Certification: The Managing Director has Certified to the Board of Directors, inter-alia, the accuracy of financial statements and adequacy of internal controls for financial reporting purpose as required under Clause 49 (V) of the Listing Agreement for the year ended 31-03-2014.

Compliance with mandatory requirements under Clause 49:-

The mandatory requirements as per Clause 49 of the Listing Agreement have been complied with by the Company.

Non-mandatory requirements under Clause 49 of the Listing Agreement:

i) The Chairman is a Non-Executive Director. The Company has not reimbursed any expenses incurred for maintenance of his office or in the performance of his duties.

ii) The Company has constituted the 'Nomination and Remuneration Committee' for the purpose of considering and recommending the

appointment of directors and senior management personnel and payment of remuneration to them

iii) The Report of the Auditors on the financial statements do not contain any qualification / remarks.

#### 8. MEANS OF COMMUNICATION:

- i. The statements of quarterly financial results are furnished to the Stock Exchanges through facsimile transmission (fax) immediately after conclusion of the Board Meeting and also through courier in compliance with the requirement under the Listing Agreement.
- ii. The un-audited financial results are published in the English daily newspaper "Financial Express" and Kannada daily newspaper "Vijaya Vani".
- iii. Action is being taken to host on the Company's website, the quarterly un-audited financial statements, audited balance sheet, shareholding pattern of the Company to comply with the requirement specified by SEBI.
- iv. The Company's Balance Sheet and the un-audited quarterly financial results will be posted on the Company's website "khodayIndia.com" which is being redesigned.
- v. The Company's Annual Report containing inter-alia Directors' Report, Auditor's Report, Audited Annual Accounts and other important information is circulated to the Members and others entitled thereto.
- vi. Printed copies of the Chairman's Address are distributed among the Members attending the Annual General Meeting.

#### 9. GENERAL SHAREHOLDER INFORMATION:

i. The 48<sup>th</sup> Annual General Meeting is scheduled to be held on Monday the 29<sup>th</sup> December 2014 at 11.30 a.m at the Registered Office of the Company at "Brewery House", Kanakapura Main Road, Bangalore-560 062.

ii. Financial year : 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014

iii. Dividend Payment Date : No dividend payment is proposed.

iv. Shares of the Company Listed at :-

a. BSE Ltd,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai-400 001  
Phone No: 022-22721233 / 34

b. Bangalore Stock Exchange Ltd  
Stock Exchange Towers,  
51, 1<sup>st</sup> Cross, J C Road  
Bangalore-560 027  
Phone No: 080-41575234 / 35

c. Madras Stock Exchange Ltd  
"Exchange Building"  
11, Second Line Beach  
Chennai-600 001  
Phone No: 044-25228951

The Annual Listing Fee for the year 2014-15 has been paid to all the 3 Stock Exchanges.

v. Company's Stock Code : 507435 (BSE)

vi. Stock Market Price Data (BSE) & performance vis-à-vis BSE Sensex:

Month	Share Price		BSE Sensex	
	High	Low	High	Low
April-13	50.20	40.05	24377	22324
May-13	69.00	45.10	20286	19575
June-13	66.10	53.25	19610	18541
July-13	57.90	45.65	20302	19178
Aug-13	47.80	39.30	19367	17906
Sept-13	49.90	42.00	20646	18234
Oct-13	47.90	42.05	21164	19902
Nov-13	53.00	42.05	21239	20194
Dec-13	70.35	55.00	21326	20612
Jan-14	67.00	56.35	21373	20514
Feb-14	61.95	55.00	21120	20193
Mar-14	59.45	53.85	22386	20946

vii. Registrar and Share Transfer Agent:  
M/s. Integrated Enterprises (India) Limited,  
30, Ramana Residency,  
4<sup>th</sup> Cross, Sampige Road,  
Malleswaram, Bangalore-560 003  
Tel: 080-23460815 to 18  
Fax No:080-23460819  
Email: irg@integratedindia.in

viii (a). Share Transfer System:

The requests for transfer, transmission etc. in respect of shares held in the physical mode are processed by the Registrar M/s. Integrated Enterprises (India) Limited who forward to the Company once every 15 days, a Memorandum containing details of the proposed transfers, transmission etc. for Company's approval. The said Memorandum and the concerned documents are scrutinized and approved by the Stakeholders Relationship Committee of the Board of Directors. Upon conveying of the said approval, the share certificates are endorsed with share transfer / transmission details and despatched by the Registrar to the transferees / beneficiaries within 1 month of receipt of the documents as required under Clause 3 (c) of the Listing Agreement with the Stock Exchanges. Requests for dematerialization of shares are processed and the confirmation in that regard are conveyed to Depositories within 15 days of receipt. All routine correspondence connected with share transfers / transmissions etc. are attended to by the Registrar. The Company's representative periodically visits the Registrar's office to monitor the work entrusted..

b). Secretarial Audit:

- Pursuant to Clause 47 (c) of the Listing Agreement with the Stock Exchanges, Certificates on half yearly basis, issued by the Company Secretary in Practice for due compliance of Share transfer formalities by the company are forwarded to the Stock Exchanges as prescribed.
- The Practicing Company Secretary carried out the Secretarial Audit to reconcile the total admitted capital with National Securities Depositories Limited (NSDL) & Central Depository Securities Limited (CDSL) and the total issued and listed capital. The Audit confirms that the total issued / paid-up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialized form.



- Pursuant to SEBI (Depositories & Participants) Regulations 1996, Certificates have also been received from a Practicing Company Secretary for dematerialization of the Company's shares and for conducting a Secretarial Audit on a quarterly basis for reconciliation of the share capital of the Company.

ix) Distribution of Shareholding:-

a) Shareholding Pattern as on 31<sup>st</sup> March 2014:-

Categories of shareholding as on 31<sup>st</sup> March 2014

Category	No. of Share holders	No. of Shares held	% of Shareholding
Individuals (Including NRI's)	15063	3666504	9.75
Companies	172	237572	0.63
Promoters and Associated Companies	45	33660195	89.54
FII/Foreign National	0	0	0.00
Mutual Funds, FIIs, Banks	5	1400	0.00
NSD/CDSL Clearing Member	31	25566	0.07
<b>Total</b>	<b>15316</b>	<b>37591237</b>	<b>100.00</b>

Distribution of Shareholding by size as on 31<sup>st</sup> March 2014 :

Range of Shares	No. of Share holders	% of Share holders	No. of Shares Held	% of Shareholding
1 - 500	14495	94.64	1724174	4.59
501 - 1000	394	2.57	307384	0.82
1001 - 2000	180	1.18	271117	0.72
2001 - 3000	60	0.39	153090	0.41
3001 - 4000	38	0.25	132324	0.35
4001 - 5000	20	0.13	92338	0.25
5001 - 10000	49	0.32	361229	0.96
10001 & ABOVE		80	0.52	34549581
<b>Total</b>	<b>15316</b>	<b>100.00</b>	<b>37591237</b>	<b>100.00</b>

x. Dematerialization of shares and liquidity:

Equity shares of the company being in the compulsory dematerialized segment, their trading is facilitated through both the Depository Systems in India, viz., NSDL and CDSL. The International Securities Identification

Number (ISIN) allotted for the Company's shares under the Depository System is INE687B01014-KIL. The aggregate number of shares held in dematerialized form is 56,79,629 as on 31<sup>st</sup> March 2014. Shareholders holding shares in dematerialized form are required to enter into correspondence with the concerned Depository Participants. 4,21,949 No. of shares were traded on BSE during the year.

xi. There are no outstanding warrants or any convertible instruments issued by the Company.

Plant Location: No.54, Kannayakana Agrahara  
Anjanapura Post,  
Bangalore - 560 062.

xii. Address for correspondence: Khoday India Limited  
"Brewery House",  
7<sup>th</sup> Mile, Kanakapura Road,  
Bangalore-560 062.

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# RANGARAJU AND ASSOCIATES

CHARTERED ACCOUNTANTS

AUDIT & TAXATION DIVISION

No. 202, 2<sup>nd</sup> Floor  
73/25, Shree Complex,  
St. John's Road,  
Bangalore - 560 042

Ph : 91 80 2530 7959  
Fax : 91 80 2530 7962  
e-mail : rangaraju.associates@gmail.com

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of  
Khoday India Limited.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Khoday India Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 March 31, 2014;

- 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.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a) 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;
  - b) 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
  - c) 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.
  - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For RANGARAJU AND ASSOCIATES  
CHARTERED ACCOUNTANTS



KRISHNAN RANGARAJU  
PARTNER

Membership No. 01845  
Firm Regt No. 0691



Place : Bangalore  
Date : 27.05.2014



## ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in Para 1 of our report of even date)

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
  
(b) We have been informed that the fixed assets of the Company are physically verified by the Management according to a phased program designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, physical verification was carried out during the year and to the best of our knowledge no material discrepancies were noticed.  
  
(c) In our opinion, the Company has not disposed off any Fixed Assets during the year.
- ii. (a) As explained to us, inventories have been physically verified by the management at reasonable intervals during the year. The stocks in possession of the third parties have been confirmed by them.  
  
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
  
(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventories and we have been informed that no material discrepancies were noticed on physical verification.
- iii. (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. As the Company has not granted any loans, Clauses (ii) (b), (ii) (c) and (ii) (d) of paragraph 4 of the Companies (Auditors Report) order, 2003 are not applicable to the Company.  
  
(b) The Company has not taken loans, secured or unsecured, from companies and firms which have been listed in the register maintained under section 301 of the Companies Act, 1956  
  
However, the Company has taken unsecured Interest free loan from four Directors' of the Company and the maximum amount outstanding at any time during the year is Rs.74,790 thousands and the year end balance of such loan is Rs. 73,338 thousands.  
  
(c) In our opinion, according to the information and explanations given to us, the loan taken from the Directors are interest free, and the terms and conditions are not, prima facie, prejudicial to the interest of the Company.  
  
(d) Since there is no stipulation as to the repayment of principal and interest, we are of the opinion that there is no irregularity in the repayment of these loans.
- iv. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

- v. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under that section have been so entered.
- (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 and exceeding the value of Rs. 5 lakhs in respect of each party have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time, where the market price is available.
- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act 1956 and the rules framed there under.
- vii. In our opinion, the Company has an internal Audit system commensurate with its size and nature of business.
- viii. We have broadly reviewed the books of accounts maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- ix. (a) (i) According to the information and explanations given to us and as per our verification of the records of the Company, in our opinion, the company is regular in depositing undisputed statutory dues including Income Tax, Service Tax, Employees Provident Fund, Employees State Insurance, Value Added Tax/Sales Tax, Wealth Tax, Customs Duty, Excise Duty and other statutory dues applicable to it.
- (ii) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Service Tax, Employees Provident Fund, Employees State Insurance, Value Added Tax/Sales Tax, Wealth Tax, Customs Duty, Excise Duty were in arrears, as at 31<sup>st</sup> March 2014, for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and as per records of the Company, the following are the particulars of dues on account of Employees Provident Fund which have not been deposited on account of dispute before the forum mentioned there against.

Name of the Statute	Nature of Dues & Related Period	Amount (Rs. In Thousands)	Forum where dispute is pending
Employees Provident Fund Act, 1952	EPF for the F.Y 2006-07 and 2007-08	10,716	Employees Provident Fund Tribunal, New Delhi.

- x. The company has accumulated losses at the end of the financial year. However the same does not exceed fifty percent of its net worth. Further, the company has not incurred cash loss during the financial year but has incurred cash loss in the immediately preceding financial year.

- xi. According to information and explanations given to us, the Company has not defaulted in repayment of principal and interest dues to the bank or any financial institutions.
- xii. According to the information and explanations given to us, the Company has not granted any loans and advances secured by pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi or a mutual fund society. Therefore the provision of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for the loans taken by others from banks or financial institutions.
- xvi. In our opinion, and according to information and explanations given to us, term loans have been applied for the purposes for which they were raised.
- xvii. Based on the information and explanations given to us and overall examination of the Balance sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment.
- xviii. According to the information and explanations given to us, 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 during the year.
- xix. According to the information and explanations given to us, the Company has not issued any debentures during the year.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For RANGARAJU AND ASSOCIATES  
CHARTERED ACCOUNTANTS

*Krishnan Rangaraju*

KRISHNAN RANGARAJU  
PARTNER

Membership No. 018487  
Firm Regn No.069125



Place : Bangalore  
Date : 27.05.2014

**KHODAY INDIA LIMITED**
**Balance Sheet as at 31st March, 2014**

(Amount in Rupees)

PARTICULARS	Note	As at 31.03.2014	As at 31.03.2013
<b>EQUITY AND LIABILITIES</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
[a] Share Capital	1	37,59,12,370	37,59,12,370
[b] Reserves & Surplus	2	50,52,68,172	47,64,79,444
		<b>88,11,78,542</b>	<b>85,23,91,814</b>
<b>2. NON - CURRENT LIABILITIES</b>			
[a] Long - Term Borrowings	3	30,74,15,322	30,76,33,335
[b] Other Long - Term Liabilities	4	32,81,038	1,01,28,465
[c] Long - Term Provisions	5	3,27,41,000	3,10,31,000
		<b>34,34,37,360</b>	<b>34,87,92,800</b>
<b>3. CURRENT LIABILITIES</b>			
[a] Short - Term Borrowings	6	66,66,92,987	65,89,19,040
[b] Trade Payables	7	20,24,26,138	23,18,12,874
[c] Other Current Liabilities	8	93,49,76,697	73,13,99,400
[d] Short - Term Provisions	9	72,49,129	1,05,12,082
		<b>1,81,03,44,960</b>	<b>1,63,26,43,397</b>
<b>TOTAL:-</b>		<b>3,63,49,60,852</b>	<b>2,83,38,28,011</b>
<b>ASSETS</b>			
<b>1. NON-CURRENT ASSETS</b>			
[a] Fixed Assets	10		
[i] Tangible Assets		47,59,94,137	49,37,09,335
[ii] Capital Work in Progress		37,08,172	37,08,172
[b] Non - Current Investments	11	61,49,52,235	61,53,37,074
[c] Long - Term Loans and Advances	12	9,27,20,534	8,99,19,351
[d] Other Non-Current Assets	13	1,01,13,254	2,45,06,794
		<b>1,19,74,68,332</b>	<b>1,22,61,80,727</b>
<b>2. CURRENT ASSETS</b>			
[a] Inventories	14	1,09,05,73,516	1,01,02,37,736
[b] Trade Receivables	15	44,22,92,611	32,98,81,249
[c] Cash & Cash Equivalents	16	4,29,27,699	3,76,81,501
[d] Short - Term Loans & Advances	17	24,89,58,512	21,93,38,677
[e] Other Current Assets	18	1,27,20,181	1,05,08,121
		<b>1,83,74,72,520</b>	<b>1,60,76,47,284</b>
<b>TOTAL:-</b>		<b>3,03,49,60,852</b>	<b>2,83,38,28,011</b>
Significant Accounting Policies	A		
Notes on Accounts	1 - 43		
The Notes referred to above form an integral part of the Balance Sheet			

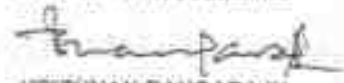
For and Behalf of the Board

  
**K. L. RAMACHANDRA**  
 Chairman

  
**K. L. SRIHARI**  
 Vice - Chairman &  
 Managing Director

  
**R. VENKAT SUBRAMANYAN**  
 Company Secretary

As per our report of even date  
 For **RANGARAJU AND ASSOCIATES**  
 Chartered Accountants

  
**KRISHNAN RANGARAJU**  
 Partner

Membership No. 015451  
 Firm Regn No. 89125



Place : Bangalore  
 Date : 27.05.2014



**K-HODAY INDIA LIMITED**
**Statement of Profit and Loss for the Year Ended 31.03.2014**

(Amount in Rupees)


PARTICULARS	Note	(Amount in Rupees)	
		For the Year Ended 31.03.2014	For the Year Ended 31.03.2013
<b>INCOME:-</b>			
Revenue from Operations	19	1,70,01,99,525	1,24,00,85,912
Other Income	20	2,69,72,908	58,92,754
<b>TOTAL REVENUE:-</b>		<b>1,72,71,72,433</b>	<b>1,24,58,88,666</b>
<b>EXPENSES:-</b>			
Cost of raw materials consumed and purchase of goods for resale	21	85,92,96,703	64,75,88,273
Changes in inventories of finished goods and Work-in-Progress	22	(8,60,54,566)	(4,25,70,076)
Employees benefit expenses	23	15,66,52,645	14,42,80,755
Finance costs	24	24,65,08,347	24,99,46,899
Depreciation:	10		
Depreciation for the year		5,66,27,733	5,47,40,881
Less: Transferred from Revaluation reserve		55,54,239	55,54,239
		5,10,73,494	4,91,86,642
Impairment loss for the year ( Refer Note 42 )		17,50,620	-
Other expenses	25	45,00,97,560	41,04,00,122
<b>TOTAL EXPENSES:-</b>		<b>1,67,93,24,804</b>	<b>1,45,88,30,615</b>
<b>PROFIT/ (LOSS) BEFORE EXCEPTIONAL ITEMS AND TAX</b>		<b>4,78,47,629</b>	<b>(21,29,41,949)</b>
Exceptional Items		-	1,56,12,122
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>4,78,47,629</b>	<b>(22,85,54,071)</b>
Provision for Taxation - Current Income Tax		92,00,000	-
<b>PROFIT/ (LOSS) AFTER TAXATION</b>		<b>3,86,47,629</b>	<b>(22,85,54,071)</b>
Income Tax relating to earlier years - (Net)		49,309	19,75,210
Prior year adjustments		42,57,354	7,17,808
<b>NET PROFIT/ (LOSS) FOR THE YEAR</b>		<b>3,43,40,966</b>	<b>(23,12,47,090)</b>
<b>Basic and Diluted Earnings per Share ( in Rupee) Refer Note - 38</b>		<b>0.91</b>	<b>(6.15)</b>
Significant Accounting Policies	A		
Notes on Accounts	1 - 43		
The Notes referred to above form an integral part of Statement of Profit and Loss			

For and Behalf of the Board

 As per our report of even date  
 For RANGARAJU AND ASSOCIATES  
 Chartered Accountants

  
**K. L. RAMACHANDRA**  
 Chairman

  
**K. L. SRIHARI**  
 Vice - Chairman &  
 Managing Director

  
**R. VENKAT SUBRAMANYAN**  
 Company Secretary

  
**KRISHNAN RANGARAJU**  
 Partner  
 Membership No. 018457  
 Firm Regn No. 169123

 Place : Bangalore  
 Date : 27.05.2014


**KHODAY INDIA LIMITED**

Notes on Balance Sheet and Statement of Profit &amp; Loss for the Year ended 31.03.2014

(Amount in Rupees)

PARTICULARS			As at 31.03.2014	As at 31.03.2013
<b>NOTE - 1 : SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
4,50,00,000 (PY- 4,50,00,000) Equity Shares of Rs.10/- each			45,00,00,000	45,00,00,000
<b>ISSUED , SUBSCRIBED AND PAID UP</b>				
3,75,91,237 (PY- 3,75,91,237) Equity Shares of Rs 10/- each			37,59,12,370	37,59,12,370
<b>RECONCILIATION OF NUMBER OF SHARES</b>	<b>As at 31.03.2014 (Rs.)</b>	<b>As at 31.03.2013 (Rs.)</b>		
Balance as at the beginning of the year (Number of Shares: 3,75,91,237; PY-3,75,91,237)	37,59,12,370	37,59,12,370		
Balance as at the end of the year (Number of Shares: 3,75,91,237; PY-3,75,91,237)	37,59,12,370	37,59,12,370		
<b>TERMS/RIGHTS ATTACHING TO EQUITY SHARES</b>				
The Company has only one class of equity shares having a par value of Rs.10/- per share with voting rights				
<b>DETAILS OF SHAREHOLDERS HOLDING MORE THAN 5% SHARES IN THE COMPANY</b>				
Name of the Shareholder	Number of Shares and % of			
	As at 31.03.2014	As at 31.03.2013		
K.L. Ramachandra (H.U.F)	58,11,839 (15.46%)	58,11,839 (15.46%)		
K.L. Srihari (H.U.F)	58,15,795 (15.47%)	58,15,795 (15.47%)		
K.L.A. Padmanabhasa (H.U.F)	58,11,580 (15.45%)	58,11,580 (15.45%)		
K.L. Swamy (H.U.F)	58,01,122 (15.43%)	58,01,122 (15.43%)		
Gayathri Holdings Pvt Ltd	23,42,150 (6.23%)	23,42,150 (6.23%)		
As per the records of the Company, including its register of shareholders/members, the above shareholding represents both legal and beneficial ownership of shares				
<b>Total...</b>				
<b>NOTE - 2 : RESERVES AND SURPLUS</b>				
<b>CAPITAL RESERVE</b>				
As per last Balance Sheet		(A)	2,73,46,980	21,61,86,097
Less : Transferred to General Reserve			-	18,88,39,116
As at the end of the financial year			2,73,46,980	2,73,46,980
<b>CAPITAL REDEMPTION RESERVE:</b>				
As per last Balance Sheet		(B)	5,31,340	5,31,340
<b>SHARE PREMIUM ACCOUNT</b>				
As per last Balance Sheet		(C)	11,54,62,890	11,54,62,890

**KHODAY INDIA LIMITED**

Notes on Balance Sheet and Statement of Profit &amp; Loss for the Year ended 31.03.2014

(Amount in Rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>REVALUATION RESERVE :</b>		
As per last Balance Sheet	11,63,13,722	12,18,87,960
Less : Transferred to Profit & Loss Statement	55,54,239	55,54,239
As at the end of the financial year (D)	11,07,59,483	11,63,13,722
<b>GENERAL RESERVE :</b>		
As per last Balance Sheet (E)	37,32,18,033	18,43,78,917
Add : Transferred from Capital Reserve	-	18,88,39,116
As at the end of the financial year	37,32,18,033	37,32,18,033
<b>SURPLUS IN THE STATEMENT OF PROFIT &amp; LOSS:</b>		
As per last Balance Sheet	(15,63,93,521)	7,48,53,568
Add: Profit/(Loss) for the year	3,43,40,966	(23,12,47,090)
As at the end of the financial year (F)	(12,20,52,555)	(15,63,93,521)
<b>Total... (A+B+C+D+E+F)</b>	50,52,66,172	47,64,79,444
<b>NOTE - 3 : LONG - TERM BORROWINGS:</b>		
<b>SECURED LOANS:</b>		
a. Term Loans:		
i - From Banks	32,30,68,201	33,70,63,253
ii - From Others	90,64,523	2,27,81,904
Less: Current Maturities of long term debt (Refer note 8a)	11,32,56,514	14,21,78,005
(A)	21,88,76,210	21,76,67,152
b. Long Term Maturities of Finance Lease Obligations - Hire Purchase	2,57,71,334	2,28,89,778
Less: Current maturities of Finance Lease Obligations (Refer note 8b)	1,05,70,396	74,81,983
(B)	1,52,00,938	1,54,07,795
<b>UNSECURED:</b>		
a. Loans & Advances from Related Parties (C)	7,33,38,173	7,45,58,387
<b>Total... (A+B+C)</b>	30,74,15,322	30,76,33,335
(a) (i) Term Loans from banks include		
<b>SECURED BY</b>	<b>TERMS OF REPAYMENT</b>	<b>DEFAULT (if any)</b>
(1) Rs 323,068 thousands (PY: Rs 310,603 thousands) secured by Post Passu 1st Charge on Maturation stock and further secured by first charge by way of mortgage of Land and Building of the Company and immovable properties of firms in which some Directors are Partners, and further secured by personal guarantee of some Directors & eight shareholders and Corporate Guarantee of Firms and Trust in which some Directors are Partners and Trustees respectively.	Repayable in 36 instalments commencing from April 2013 to June 2018 along with interest at 14% p.a (BR + 4.5% + 0.5%)	NIL (PY: NIL)
(2) NIL (PY: Rs. 25,461 thousands) secured by hypothecation of Maturation stock and further secured by first charge by way of mortgage of Land & Building of the Company, Residential Property of some Directors, immovable properties of a trust in which some Directors are Trustees, and further secured by personal guarantee of some of the Directors & eight Shareholders and Corporate Guarantee of Firms and Trust in which some of the Directors are Partners and Trustees respectively.	NIL	NIL
(a) (ii) Term Loans from Others include		

**KHODAY INDIA LIMITED**

Notes on Balance Sheet and Statement of Profit &amp; Loss for the Year ended 31.03.2014

(Amount in Rupees)

PARTICULARS			As at 31.03.2014	As at 31.03.2013
(1) Rs. 9,065 thousands (PY: Rs. 22,781 thousands) secured by hypothecation of Cars of the Company.	Repayable in 36 instalments commencing from April 2012 November 2012 along with interest at 20% p.a	-NIL- (PY: NIL)		
<b>(b) Long Term Maturities of Finance Lease Obligations include:</b>				
Rs. 25,771 thousands (PY: Rs.22,800 thousands) secured by hypothecation of Cars of the company .	Payments of Equated Monthly Instalments commencing from the month subsequent to taking the lease at interest ranging from 11.50% to	-NIL- (PY: NIL)		
<b>a. Unsecured Loans &amp; Advances from Related parties</b>				
	<b>TERMS OF REPAYMENT</b>	<b>DEFAULT (if any)</b>		
Rs. 73,338 thousands (PY: Rs. 74,558 thousands) taken from Directors	Repayable after twelve months from April 2013 without interest.	-NIL- (PY: NIL)		
<b>NOTE - 4 : OTHER LONG - TERM LIABILITIES:</b>				
a.Trade payables*			30,81,038	97,76,306
b.Trade Deposits & Advance from Customers			2,00,000	3,52,159
<b>Total...</b>			<b>32,81,038</b>	<b>1,01,28,465</b>
*As per the information available with the company, there are no outstanding dues under Long Term Trade payables that are required to be furnished under section 22 of Micro, Small and Medium Enterprise Development Act, 2006.				



**KHODAY INDIA LIMITED**

Notes on Balance Sheet and Statement of Profit &amp; Loss for the Year ended 31.03.2014

(Amount in Rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>NOTE - 5 : LONG - TERM PROVISIONS:</b>		
a.Provisions for Employee Benefits	3,27,41,000	3,10,31,000
<b>Total...</b>	<b>3,27,41,000</b>	<b>3,10,31,000</b>
<b>NOTE - 6 : SHORT - TERM BORROWINGS:</b>		
<b>SECURED LOANS:</b>		
a. Loans repayable on demand		
From Banks		
- Cash Credit	66,56,92,987	65,89,19,040
<b>Total...</b>	<b>66,56,92,987</b>	<b>65,89,19,040</b>
a.Loans Repayable on demand (Cash Credit) from Banks is secured by		
<b>SECURED BY</b>	<b>DEFAULT (if any)</b>	
(1) First charge by way of Hypothecation of stock of Raw Materials, Semi Finished, Finished Goods, other packing materials, Bills Receivables, Book Debts, other movable properties and certain Fixed Deposits of Distillery Division on Pari Passu basis.		
(2) Equitable mortgage of properties of the company, of a private limited company, trust and firms in which some of the Directors are interested/ trustees/ partners.	NIL	
(3) Further secured by the immovable property of some of the Directors and their relatives.		
(4) By personal guarantee of some of the Directors, Shareholders and their relatives and corporate guarantees of some entities in which directors are interested.		
<b>NOTE - 7 : TRADE PAYABLES:</b>		
a. Micro, Small and Medium Enterprises	-	11,90,167
b. Others	20,24,26,138	23,06,22,707
<b>Total...</b>	<b>20,24,26,138</b>	<b>23,18,12,874</b>
<b>NOTE - 8 : OTHER CURRENT LIABILITIES:</b>		
a. Current maturities of Long Term Debt (Refer Note 3a)	11,32,56,514	14,21,78,005
b. Current maturities of Finance Lease Obligations (Refer Note 3b)	1,05,70,396	74,81,983
c. Unpaid Dividends	6,53,402	6,53,952
d. Employee Benefits payable	4,46,31,086	4,80,68,856
e. Trade Deposits and Advance from Customers	26,52,12,858	34,00,56,390
f. Statutory Dues payable	1,40,58,284	1,16,55,628
g. Dues to Related Parties	48,65,94,157	18,13,04,586
<b>Total...</b>	<b>93,49,76,697</b>	<b>73,13,99,400</b>

**KHODAY INDIA LIMITED**

Notes on Balance Sheet and Statement of Profit &amp; Loss for the Year ended 31.03.2014

(Amount in Rupees)

PARTICULARS				As at 31.03.2014	As at 31.03.2013
<b>NOTE - 9 : SHORT-TERM PROVISIONS:</b>					
a.For Excise Duty				72,49,129	1,05,12,082
<b>Total</b> ...				72,49,129	1,05,12,082
<b>NOTE - 11 :NON-CURRENT INVESTMENTS</b>					
<i>(Long - Term Investments)</i>					
<b>A. TRADE INVESTMENTS</b>					
<b>i. EQUITY INSTRUMENTS (QUOTED)</b>					
		Number of Shares			
Particulars	F V of each share	2013-14	2012-13		
Excell Glass Limited	1	500	500	500	500
United Spirits Ltd	10	282	282	1,765	1,765
United Breweries Limited	1	230	230	5,480	5,480
United Breweries (Holdings) Ltd.	10	562	562	2,504	2,504
<b>Sub Total</b> ...				<b>(A)</b>	10,249
<b>ii. EQUITY INSTRUMENTS (UNQUOTED)</b>					
Particulars	F V of each share	2013-14	2012-13		
Shreno Limited	100	33	33	4,000	4,000
Arthos Breweries Limited	10	225	225	2,000	2,000
Castle Breweries Limited	10	300	300	3,000	3,000
Pilsener Breweries Limited	10	100	100	2,000	2,000
Punjab Breweries Limited	10	250	250	3,000	3,000
Himalaya Distilleries Ltd	10	12500	12500	1,25,000	1,25,000
United Glass Bottles Mfg Co Ltd	10	13650	13650	1,37,000	1,37,000
Khoday Industries Pvt Ltd	1000	480	480	4,80,000	4,80,000
Panchakala Malt Limited	10	100	100	1,000	1,000
<b>Sub Total</b> ...				<b>(B)</b>	7,57,000
<b>iii. INVESTMENT IN SUBSIDIARIES (UNQUOTED)</b>					
Particulars	F V of each share	2013-14	2012-13		
Khoday Properties Pvt Ltd	10	50000	50000	5,00,000	5,00,000
<b>Total</b>				<b>(C)</b>	5,00,000
<b>B. NON - TRADE INVESTMENTS</b>					
<b>i. EQUITY INSTRUMENTS (QUOTED)</b>					
Particulars	F V of each share	2013-14	2012-13		
Gulf Oil Corporation Limited	10	12635	12635	1,13,720	1,13,720
<b>Sub Total</b> ...				<b>(D)</b>	1,13,720
<b>ii. EQUITY INSTRUMENTS (UNQUOTED)</b>					
Particulars	F V of each share	2013-14	2012-13		
Graviss Hospitality Limited	2	4500	4500	5,000	5,000
Kasturi Foods & Chemicals Limited	10	5000	5000	50,000	50,000
MOI Engineering Limited	10	1400	1400	10,000	10,000
Metal Box India Limited	10	365	365	4,000	4,000
Modern Syntex (India) Ltd.	10	400	400	12,000	12,000
<b>Sub Total</b> ...				<b>(E)</b>	81,000

**KHODAY INDIA LIMITED**

Notes on Balance Sheet and Statement of Profit &amp; Loss for the Year ended 31.03.2014

(Amount in Rupees)

PARTICULARS					As at 31.03.2014	As at 31.03.2013	
<b>III. INVESTMENT IN MUTUAL FUNDS (UNQUOTED)</b>							
Canara Robeco - Daily Dividend	10		10,068		1,03,607	-	
Canara Robeco - Regular Dividend	10		34,229		6,00,000	-	
Sub Total ....					{ F }	7,03,607	-
<b>IV. INVESTMENT IN PARTNERSHIP FIRM</b>							
Lakshmi Estate					61,26,91,806	61,37,80,252	
Name of the Partners		Share of Partners		Total Capital (Rs.In thousands)			
		2013-14	2012-13	2013-14	2012-13		
Khoday India Limited	75.00%	75.00%		6,12,692	6,13,780		
K.L. Srihari - HUF	6.25%	6.25%		50,283	50,373		
K.L. Swamy - HUF	6.25%	6.25%		53,209	53,299		
K.L. Ramachandra - HUF	6.25%	6.25%		50,262	50,373		
K.L.A. Padmanabhasa - HUF	6.25%	6.25%		50,282	50,374		
Total					{ G }	61,26,91,806	61,37,80,252
<b>V. OTHERS</b>							
Investment in Government Securities					1,52,850	1,52,850	
Total					{ H }	1,52,850	1,52,850
<b>TOTAL OF NON-CURRENT INVESTMENTS</b>					{ A to H }	61,50,10,231	61,53,95,070
Less: Aggregate Provision for Diminution in the Value of Non-Current Invest					57,996	57,996	
<b>TOTAL NON - CURRENT INVESTMENTS ( Net of Provision)</b>						61,49,52,235	61,53,37,074
<b>AGGREGATE AMOUNT OF QUOTED INVESTMENTS</b>					1,23,969	1,23,969	
<b>AGGREGATE MARKET VALUE OF QUOTED INVESTMENTS</b>					23,24,741	15,30,710	
<b>AGGREGATE AMOUNT OF UNQUOTED INVESTMENTS</b>					61,48,86,263	61,52,71,102	
<b>NOTE - 12: LONG - TERM LOANS AND ADVANCES</b>							
(Unsecured & Considered Good)							
a.Capital Advances					3,80,55,129	2,41,32,605	
b.Security Deposits					1,87,41,476	1,89,57,795	
c.Advance Income Tax (Net of Provisions: Rs 43,500 thousands, PY - Rs 34,300 thousands)					37,68,454	1,03,38,567	
d. Other Loans and Advances - Trade					3,21,55,475	3,54,90,383	
Total...					9,27,20,534	8,89,19,351	
<b>NOTE - 13: OTHER NON-CURRENT ASSETS</b>							
(Unsecured & Considered Good)							
a.Trade Receivables					-	1,43,98,518	
b.Earnest Money Deposits					1,01,13,254	1,01,08,276	
Total..					1,01,13,254	2,45,06,794	
<b>NOTE - 14 :INVENTORIES</b>							
Valued at lower of Cost and NRV							
a.Raw Materials					11,06,66,368	11,68,76,558	
b.Work-in-Progress					85,90,14,366	76,86,08,576	
c.Finished Goods					7,10,15,891	7,53,67,114	
d.Stock -in-trade					1,93,600	1,93,600	
e.Stores, Spares and Packing Material					2,43,83,291	2,38,91,887	
f.Other stock in trade - Land					2,53,00,000	2,53,00,000	
Total..					1,09,05,73,516	1,01,02,37,736	

**KHODAY INDIA LIMITED**

Notes on Balance Sheet and Statement of Profit &amp; Loss for the Year ended 31.03.2014

(Amount in Rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>NOTE - 15 : TRADE RECEIVABLES</b>		
(Unsecured & Considered Good)		
a. Outstanding for a period exceeding six months from due date	8,31,43,482	9,55,65,881
b. Others	35,91,49,129	23,43,15,368
<b>Total..</b>	<b>44,22,92,611</b>	<b>32,98,81,249</b>
<b>NOTE - 16: CASH AND CASH EQUIVALENTS</b>		
a. Balance with Banks		
- In Current Accounts	61,19,450	1,06,89,314
- In Deposit Accounts as Margin Money	1,05,49,708	96,63,759
- In Unpaid Dividend Account	6,53,402	6,53,952
b. Cheques and Drafts on Hand	11,33,140	-
c. Cash on hand	2,24,71,999	1,66,74,476
<b>Total..</b>	<b>4,29,27,699</b>	<b>3,76,81,501</b>
<b>NOTE - 17: SHORT - TERM LOANS AND ADVANCES</b>		
(Unsecured & Considered Good)		
a. Lease Deposit with Related Party*	12,36,26,000	12,36,26,000
b. Loans and Advances to Employees	43,63,786	50,76,950
c. Trade Advances	6,17,56,297	6,73,96,303
d. Advance for Option of Land Development	-	1,00,00,000
e. Balances with Govt. Authorities	5,92,72,429	1,32,39,423
* Lease Deposit with a firm in which some of the Directors are partners.		
<b>Total..</b>	<b>24,89,58,512</b>	<b>21,93,38,677</b>
<b>NOTE - 18: OTHER CURRENT ASSETS</b>		
a. Interest Accrued on Fixed Deposits	25,37,712	21,80,176
b. Prepaid Expenses	1,01,82,469	83,27,945
<b>Total..</b>	<b>1,27,20,181</b>	<b>1,05,08,121</b>
<b>NOTE - 19 : REVENUE FROM OPERATIONS</b>		
Sale of IML	4,59,47,36,244	3,41,15,42,847
Contract Income	26,76,00,000	8,34,568
Sale of Services	-	23,11,277
Others*	3,53,79,415	5,13,98,012
	4,89,77,15,660	3,46,60,86,703
Less: Excise Duty	3,19,75,16,135	2,22,60,00,792
*Includes sales of spirits and flavouring materials.		
<b>Total..</b>	<b>1,70,01,99,525</b>	<b>1,24,00,85,912</b>
<b>NOTE - 20 : OTHER INCOME</b>		
Interest Income from Fixed deposits	8,82,805	10,72,990
Dividend Income from Non - Current Investments	31,231	27,958
Dividend Income from Mutual Fund	3,607	-
Interest received on Income Tax Refund	15,416	-
Royalty and Other Income	38,05,127	33,25,937
Profit on Sale of Fixed assets	7,36,091	-
Sundry Credit balances Written Back	2,14,98,631	13,75,868
<b>Total..</b>	<b>2,69,72,908</b>	<b>58,02,754</b>



**KHODAY INDIA LIMITED**

Notes on Balance Sheet and Statement of Profit &amp; Loss for the Year ended 31.03.2014

(Amount in Rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>NOTE - 21 : COST OF RAW MATERIALS CONSUMED AND GOODS PURCHASED FOR RESALE</b>		
<b>OPENING STOCK</b>		
Raw Materials and goods purchased for resale	11,70,70,158	10,41,98,624
Power and Fuel	16,21,748	12,31,528
Stores, Spares and Packing Materials	2,22,70,139	2,08,95,714
<b>Total.. (A)</b>	<b>14,09,62,046</b>	<b>12,63,25,867</b>
<b>ADD: PURCHASES</b>		
Raw Materials and goods purchased for resale	68,60,34,298	54,72,50,890
Power and Fuel	8,40,10,483	4,45,76,188
Stores, Spares and Packing Materials	8,35,33,137	7,03,95,373
<b>Total.. (B)</b>	<b>85,35,77,918</b>	<b>66,22,22,451</b>
<b>LESS: CLOSING STOCK</b>		
Raw Materials and goods purchased for resale	11,08,59,969	11,70,70,158
Power and Fuel	32,79,353	16,21,748
Stores, Spares and Packing Materials	2,11,03,939	2,22,70,139
<b>Total.. (C)</b>	<b>13,52,43,260</b>	<b>14,09,62,046</b>
<b>Consumption of Raw Materials and Purchased for resale.</b>		
Raw Materials and goods purchased for resale	69,22,44,487	53,43,79,356
Power and Fuel	8,23,52,879	4,41,85,968
Stores, Spares and Packing Materials	8,48,99,337	6,90,20,948
<b>Cost of Raw Material Consumed and goods purchased for resale (A + B - C)</b>	<b>85,92,98,703</b>	<b>64,75,86,273</b>
<b>NOTE - 22 : CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS</b>		
<b>CLOSING STOCK :-</b>		
Finished Goods	7,10,15,891	7,53,67,114
Work-In-Progress	85,90,14,366	78,86,08,576
<b>Total.. (A)</b>	<b>93,00,30,256</b>	<b>84,39,75,690</b>
<b>OPENING STOCK :-</b>		
Finished Goods	7,53,67,114	7,36,64,356
Work-In-Progress	78,86,08,576	72,77,41,258
<b>Total.. (B)</b>	<b>84,39,75,690</b>	<b>80,14,05,614</b>
<b>Increase / (Decrease) in Stock (A - B)</b>	<b>8,60,54,566</b>	<b>4,25,70,076</b>
<b>NOTE - 23 : EMPLOYEES BENEFITS</b>		
Salaries, Wages, Gratuity, Bonus and leave encashment	13,24,85,995	12,23,16,152
Staff Welfare Expenses	1,61,27,547	1,46,60,544
Contribution to P.F. and Other Funds	80,39,104	73,04,059
<b>Total..</b>	<b>15,66,52,645</b>	<b>14,42,80,755</b>
<b>NOTE - 24 : FINANCE COST</b>		
Interest		
On Term Loan	5,19,54,147	5,21,59,997
On Others	19,08,91,726	19,23,11,623
Bank Charges	36,62,474	54,75,279
<b>Total..</b>	<b>24,65,08,347</b>	<b>24,99,46,899</b>

**KHODAY INDIA LIMITED**

Notes on Balance Sheet and Statement of Profit &amp; Loss for the Year ended 31.03.2014

(Amount in Rupees)

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>NOTE - 25 : OTHER EXPENSES</b>		
<b>Manufacturing Expenses:</b>		
Power & Lighting Charges	2,32,84,262	1,97,29,603
Repairs & Maintenance :		
- Buildings	31,98,613	21,00,101
- Plant & Machinery	1,43,07,117	1,00,54,776
- Electrical	13,93,730	20,79,388
<b>Total</b>	<b>(A)</b> 4,21,83,722	3,39,63,869
<b>Administrative and Selling Expenses:</b>		
Rent	1,31,51,036	1,34,02,771
Rates & Taxes	3,71,67,257	3,52,62,901
Insurance	11,16,855	13,22,728
Repairs & Maintenance :		
- Vehicles	1,49,57,621	1,30,05,358
- Others	49,45,632	54,29,575
Freight, Octroi & Storage Expenses	4,50,06,829	4,74,25,380
Lease Rent	1,43,12,695	1,40,20,310
Travelling & Conveyance	3,09,54,410	4,14,02,355
Printing & Stationery	28,40,340	24,17,559
Telephone, Postage & Courier Charges	74,33,615	59,37,154
Books & Periodicals	3,35,607	2,32,264
Security Service Charges	97,03,972	76,02,256
Legal & Professional Charges	6,12,72,447	4,87,26,397
Directors Sitting Fees	56,000	64,750
Payments to Auditors		
- As Auditor	5,61,800	5,61,800
Cost Audit Fees	22,472	22,472
Bad Debts	3,23,16,538	34,659
Donation	43,551	38,53,034
Commission & Discount on Sales	2,70,63,479	4,91,03,940
Sales Promotion	5,30,59,442	5,73,07,131
Advertisement	51,80,608	61,50,795
Service Charges	17,88,676	73,64,580
Irrecoverable advances written off	2,60,98,295	1,38,346
Miscellaneous Expenses	1,69,60,670	1,23,46,811
Share of Loss in Partnership Firm	10,88,446	10,64,017
Loss on Foreign Currency Transactions & Translation	4,75,546	22,36,911
<b>Total</b>	<b>(B)</b> 40,79,13,838	37,64,36,254
<b>Total</b>	<b>(A+B)</b> 45,00,97,560	41,04,00,122

## FIXED ASSETS SCHEDULE AS ON 31-03-2014

SL NO	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLC	
		AS ON 01.04.2013	ADDITIONS	SALES/ TRANSFER	AS ON 31.03.2014	AS ON 01.04.2013	FOR THE YEAR	WITHDRAWN	IMPAIRMENT LOSS CHARGED TO PROFIT & LOSS ACCOUNT	AS ON 31.03.2014	AS ON 31.03.2014
1	LAND	241,05,210	-	-	241,05,210	-	-	-	-	241,05,210	
2	BUILDINGS	42,97,70,878	1,82,26,926	-	44,79,97,805	10,90,09,000	1,20,04,887	-	-	21,41,24,673	20,26,63,132
3	PLANT AND MACHINERY	61,62,19,049	31,44,917	-	61,93,63,965	49,60,17,440	1,03,69,159	17,50,620	51,41,37,229	10,52,26,416	
4	FURNITURE & FIXTURES OTHER OFFICE EQUIPMENTS	40,14,73,917	17,25,363	68,242	40,31,40,598	32,62,97,203	1,14,65,469	-	33,77,04,269	6,54,38,240	
5	VEHICLES	70,32,08,170	2,08,23,777	62,31,260	17,26,10,555	11,98,82,218	1,37,28,255	31,63,146	13,02,87,426	4,73,63,129	
	Total	1,43,47,76,830	4,37,41,063	63,00,141	1,67,22,17,733	1,14,10,87,497	5,69,27,733	17,50,620	1,19,62,23,916	47,59,94,127	
	Previous Year	1,57,23,69,426	6,14,97,204	-	1,63,47,76,830	1,09,63,26,818	5,47,40,881	-	1,14,10,67,466	49,37,09,333	
6	CAPITAL WORK-IN-PROGRESS	37,08,172	-	-	37,08,172	-	-	-	-	37,08,172	
7	Previous Year	37,08,172	-	-	37,08,172	-	-	-	-	37,08,172	

**A. Significant Accounting Policies****(a) Accounting Convention:**

The Financial Statements have been prepared under the Historical Cost Convention (except for certain assets which are revalued) in accordance with the Generally Accepted Accounting Practices in India.

**(b) Basis of Preparation:**

The financial statements have been prepared to comply with the mandatory accounting standards notified by Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

**(c) Estimates and Assumptions:**

Preparation of Financial Statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities as at the date of the Balance Sheet and the reported amounts of income and expenses during the reporting period. Examples include provision for doubtful debts, useful life of assets, etc. Actual results may differ from these estimates.

**(d) Inventories:**

Inventory of raw material, stores, spares, materials in transit, work in progress, finished goods – both manufactured and traded are valued at lower of cost and net realizable value.

The cost is calculated on First-In First-Out basis and comprises of expenditure incurred in the normal course of business in bringing such inventory to its present location, and includes the borrowing cost that are attributable to maturation stocks which has been considered for valuation of Work In Progress wherever applicable, and allocation of appropriate overheads based on normal level of activity.

Stock in Trade – land is valued at the value on the date of conversion from capital asset to stock in Trade or the current market value, whichever is lower.

**(e) Cash Flow Statements:**

Cash Flow Statement has been prepared under "Indirect Method" as prescribed by Accounting Standard-3. Cash and cash equivalents comprise Cash in Hand, Cheques in Hand, Current and other accounts (including Fixed Deposit) held with Banks.

**(f) Events occurring after the Balance Sheet Date:**

Assets and Liabilities are adjusted for events occurring after the balance sheet date that provide additional evidence to assist the estimation of amounts related to conditions existing at the balance sheet date.

**(g) Net Profit or Loss for the period, prior period Items and Changes in Accounting Policies:****\* Net Profit for the period:**

All the items of income and expenses in the period are included in the determination of net Profit / Loss for the period, unless specifically mentioned elsewhere in the financial statements or is required by an Accounting Standard.



**• Prior Period items:**

Income / Expenditure are disclosed in Prior Year Adjustments only when the value exceeds Rupees One Lakh in each case.

**• Extra Ordinary items:**

Extraordinary Items, if any are disclosed separately in accordance with Accounting Standard - 5.

**(h) Depreciation Accounting:**

Depreciation has been provided on fixed assets at the rates prescribed in Schedule XIV to the Companies Act 1956, on written down value method except for Plant & Machinery and Building of Distillery Division acquired prior to 31<sup>st</sup> March 1999 and the assets of Paper Division where the depreciation has been provided on straight line basis. Depreciation on Oakwood barrels has been provided on written down value method @ 20%, based on technical evaluation. Depreciation is provided on pro-rata basis on additions and deletions from the date the assets were put to use and up to the date of sale / transfer, respectively. Plant & Machinery costing Rs.5,000/- and less is depreciated in full.

Certain Fixed Assets has been revalued during the year 1998-99. The depreciation charged on such Revalued assets is transferred from Revaluation reserve to the Profit & Loss Account.

**(i) Revenue Recognition:**

- Sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which coincides with the dispatch of goods to the customers. Sales are net of returns; sales tax collected and tax collected at source are not included in sales. Sales include excise duty and additional excise duty.
- Dividend on investments is accounted in the year in which the right to receive is established.
- Income from services or contracts are recognized in accordance with the terms of the contract.

**(j) Accounting for Tangible Fixed Assets:**

Fixed assets are stated at cost of acquisition inclusive of inward freight, duties (net off CENVAT Credit) and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalized. Expenses capitalized also include applicable borrowing costs till the date of commencement of production. Assets acquired under hire purchase are capitalized to the extent of the principal value.

**(k) Accounting for Effect in Foreign Exchange Rates:**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Foreign currency monetary assets and liabilities on the balance sheet date are translated at year end exchange rates. Exchange difference arising either on settlement of foreign exchange transactions or translation of monetary items is recognized as income or expense in the year in which they arise.

**(l) Accounting for Investments:**

- Long term investments are valued at cost. Provision is made to recognize a diminution other than temporary, in the value of each long-term investment.
- Current investments are stated at lower of cost and quoted/fair value.

**(m) Accounting for Employee benefits:**

- **Short term benefits**  
Short term employee benefits expected to be paid in exchange for the services rendered by the employees is recognized during the period when the employee renders the services.
- **Provident Fund**  
Provident fund is a defined contribution scheme as the Company pays fixed contribution at pre-determined rates. The obligation of the Company is limited to such fixed contribution. The contributions are charged to Profit & Loss Account.
- **Gratuity**  
The company provides for gratuity, a defined benefit retirement plan covering eligible employees. Liabilities with regard to the Gratuity are determined by actuarial valuation as at the balance sheet date.
- **Leave Encashment**  
The company provides for Leave Encashment, a defined benefit retirement plan covering all the employees. Liabilities with regard to the Leave Encashment are determined by actuarial valuation as at the balance sheet date.

**(n) Borrowing Cost:**

Borrowing costs attributable to acquisition and construction of assets are capitalized as part of the cost of such asset up to the date when such asset is ready for its intended use. Borrowing costs attributable to 'Maturation stocks' has been considered for valuation of Work In Progress, as these stocks require a substantial period of time to bring them to saleable condition. Other Borrowing Costs are treated as revenue expenditure.

**(o) Segment Reporting:**

The company has considered business segment as reporting segment and accordingly identified Liquor, Glass, Contract and Systems as reporting business segments. Secondary segmental reporting is performed on the basis of the geographical location of the customers and accordingly segmental revenue is reported as revenue from India and from outside India.

**(p) Related Party Transactions:**

The related party transactions have been classified under the heads Subsidiary, Key Management Personnel, relatives of Key Management Personnel and Entities over which Key Management Personnel and / or their relatives are able to exercise significant influence.

**(q) Lease:**

- Finance Lease Payments are apportioned between Finance Charges and reduction of lease liability as per the relevant agreements.
- Operating Lease payments are recognized in the Statement of Profit and Loss over the lease term.

**(r) Earning per Share:**

- Basic earning per share has been computed with reference to Weighted Average number of Shares outstanding at monthly rests.
- Diluted Earnings per share has been computed based on the basic earnings adjusted for all dilutive potential equity shares.

**(s) Accounting for Taxes on Income:**

Tax expense comprises of current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1951. Deferred income-tax reflects the impact of timing difference between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the Tax Laws and rates that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized on brought forward unabsorbed depreciation and brought forward losses only if there is a virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits. Deferred tax asset of earlier years is reassessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which, such deferred tax assets can be realized.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax asset and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and deferred tax liabilities relate to taxes on income levied by same governing taxation laws.

Minimum Alternate Tax (MAT) Credit recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. Such asset is reviewed at each balance sheet date and the carrying amount of MAT credit asset is written down to the extent there is no longer convincing evidence to the effect that the company will pay normal income tax during the specified period.

**(t) Impairment of Asset:**

At each balance sheet date, the management reviews the carrying amounts of its assets to determine whether there is any indication that those assets were impaired. An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which the asset is identified as impaired, unless the asset is carried at revalued amount, in which case any impairment loss of a revalued asset is treated as a decrease in Revaluation Reserve. The impairment loss recognized in prior accounting periods is reversed if there has been an increase in the estimate of recoverable value.

**(u) Provision , Contingent Liabilities and Contingent Assets:**

- A present obligation, as a result of past events which could be reliably estimated, is provided in the accounts, if it is probable that there will be an outflow of resources.
- Contingent liabilities are not recognized, but are disclosed at their estimated value by way of notes in the Financial Statements.
- Contingent Assets are neither recognized nor disclosed in the financial statements.

**(v) Trade Receivables and Loans & Advances:**

Trade receivables and Loans and Advances are stated after making adequate provision for those doubtful of recovery.

**(w) Expenditure:**

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

**(x) Excise Duty:**

Excise duty recovered is included in the sale of products. Excise duty paid on dispatches and in respect of finished goods lying at factory premises are shown separately as an item of excise duty in the Profit and Loss account and included in the valuation of Finished Goods.

26 Previous year figures have been re-grouped/ re-arranged wherever necessary to conform to the current year's presentation.

**27 Contingent Liabilities**

S.No.	Particulars	2013-14	2012-13
1.	Claims against the company not acknowledged as debts	39,664	29,675
2.	Disputed Sales Tax not provided	-	149

28 A special resolution u/s 100 of the Companies Act 1956 approving the reduction of paid up share capital of the Company held by the Public Shareholders was passed at the AGM held on 30th December 2013. The Company proposes to file a petition u/s 100 before the Honorable High Court of Karnataka for seeking confirmation of the special resolution.

29 During the year 2010-11 a party had filed a winding up petition against the company. The company has submitted necessary objections for the petition and the matter is pending before Karnataka High Court.

**30 CIF Value Of Imports**

Particulars	2013-14	2012-13
Raw Materials	85,537	33,417



**31 Consumption of Imported and Indigenous Materials And Components**

Particulars	2013-14		2012-13	
	In %	In Value	In %	In Value
Imported	10.30%	88,459	3.93%	25,502
Indigenous	89.70%	770,839	96.07%	622,084
<b>Total Materials Consumed</b>		<b>859,296</b>		<b>647,586</b>

**32 Expenditure in Foreign Currency**

Particulars	2013-14	2012-13
For Travel	6,548	9,221
For Consulting Services	11,651	8,216
For Others	12	-

**33 Earnings in Foreign Currency**

Particulars	2013-14	2012-13
FOB Value of Exports	1,520	-
Export of Service	-	3,086

**34 Employee Benefits**

As per Accounting Standard 15 "Employee Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below:

**Defined Contribution Plan**

Contribution to defined contribution plan recognized as expense for the year.

PARTICULARS	2013-14	2012-13
Employer's Contribution to Provident Fund	6,253	5,781

**Defined Benefit Plan**

In case of Gratuity, the present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the same manner as gratuity. In line with the accounting policy and as per the Accounting Standard - 15(A), the summarized position of post employment benefits is recognized in the Profit & Loss A/c and Balance Sheet as under:

**A. Changes in the present value of the obligations:**

Particulars	2013-14		2012-13	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Present Value of defined benefit obligation	29,399	1,632	28,793	1,756
Interest Cost	2,352	131	2,303	140
Current service cost	(5,940)	(317)	(3,280)	(657)
<b>Add / (Less)</b>				
Benefits Paid	(2,552)	(88)	(2,981)	-
Actuarial loss/ (gain) on obligations	7,583	541	4,563	393
Present value of defined benefit obligation	30,842	1,899	29,399	1,632

**B. Amount recognized in Balance Sheet**

Particulars	2013-14		2012-13	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Present value of defined benefit obligation	30,842	1,899	29,399	1,632
<b>Add / (Less)</b>				
Unrecognized past service cost	-	-	-	-
Unrecognized transitional liability	-	-	-	-
Unfunded net liability / (asset) recognized in Balance Sheet	30,842	1,899	29,399	1,632
Present value of defined benefit obligation	30,842	1,899	29,399	1,632
<b>Breakup of accrued liability</b>				
Non Current Liability	30,842	1,899	29,399	1,632

**C. Expenses recognized in the Profit & Loss Statement**

Particulars	2013-14		2012-13	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Current service cost	(5,940)	(317)	(3,280)	(657)
Interest cost	2,352	131	2,303	140
<b>Add / (Less)</b>				
Net Actuarial loss/(gain) recognized in the year	7,585	543	1,582	393
Net benefit expense	3,997	357	605	(124)

**D. Principal Actuarial assumption at the Balance sheet date**

Particulars	2013-14		2012-13	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	(Unfunded)	(Unfunded)	(Unfunded)	(Unfunded)
Discount rate	8%	8%	8%	8%
Rate of escalation in salary	5%	5%	5%	5%
Mortality rate	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate
Expected Average Remaining working lives of Employees	15	15	15	15
Method used	PUCM	PUCM	PUCM	PUCM
Date of Actuarial Report	12 <sup>th</sup> May 2014	12 <sup>th</sup> May 2014	5 <sup>th</sup> May 2013	5 <sup>th</sup> May 2013

**35 Segment Reporting**

Segment Reporting is presented in the Consolidated Financial Statements in terms of the Accounting Standard - 17 - Segment Reporting.

**36 Related Party Disclosures**

The List of related parties as identified by the Management is as under

**Subsidiary**

1. Khoday Properties Private Limited

**Key Management Personnel**

1. K.L. Ramachandra ( Non Executive Chairman)
2. K.L. Srihari (Managing Director)
3. K.L.A. Padmanabhasha (Joint Managing Director)
4. K.L. Swamy ( Executive Director)
5. K.R. Nithyanand (Non Executive Director)
6. K.H. Gurunath (Non Executive Director)
7. K.S. Giridhar (Non Executive Director)

**Relatives of Key Management Personnel**

1. K.H. Radheshyam
2. K.H. Srinivas
3. Estate of Late K.L. Narayanasa
4. K.P. Ganashayam
5. K.R. Dayanand
6. K.S. Brijmohan
7. Rajalakshmi Srihari
8. Gulab P Khoday
9. Lalitha Swamy Khoday
10. Padma N Khoday
11. Meera Bai
12. Dhanalakshmi

**Entities over which Key Management Personnel and/or their relatives are able to exercise significant influence**

1. K L Ramachandra – HUF
2. K L A Padmapabhasha – HUF
3. K L Srihari – HUF
4. K L Swamy – HUF
5. Acqua Borewells Private Limited
6. Blendwell bottlers Private Limited
7. Cassonava Distilleries Private Limited
8. Coconut Groves & Holiday Resorts Pvt Limited
9. Deatha Builders Private Limited
10. Elkay Farm
11. Elkay Tradings Corporation Private Limited
12. Five Brothers Marketing Private Limited
13. Forest Resort (Bandipur) Limited
14. Gayathri Foundation
15. Gayathri Holdings Private Limited
16. General mining and minerals
17. Hercules Construction Company Pvt Limited
18. Honeywell Business Private Limited
19. Ingo Property Developers Private Limited
20. Jay Pee Shoes Private Limited
21. K Lakshmana & Company
22. Kankapura Trading Private Limited
23. Khoday Brothers
24. Khoday Breweries Limited
25. Khoday Business Private Limited
26. Khoday Control Systems Private Limited
27. Khoday Eshewarsa and Sons
28. Khoday Hotels Private Limited
29. Khoday Industries (Kuppam) Private Limited
30. Khoday Industries (Hyderabad) Private Limited
31. Khoday Industries Pvt Limited
32. Khoday Brothers International Limited
33. Khoday Technologies Limited
34. Kilara Power Limited
35. L.K Polyfibre Limited
36. L.K Power Corporation Limited
37. L.K Trust
38. Lakshmi Estate
39. Macdonald Tradings Private Limited
40. Mc Donald Distilleries Private Limited
41. Murugan enterprises
42. National Distilleries Limited
43. North India Distillers Private Limited
44. Panchaganga Tradings Private Limited
45. Panchakalyani Tradings Private Limited
46. Parsan Holiday Resorts Private Limited
47. Peterscot Tradings Private Limited
48. Ram Mohan & Company Private Limited
49. Ransh Coffee Estate



**Significant Accounting Policies and Notes on Financial Statements**

**[Rupees in Thousands]**

**Entities over which Key Management Personnel and/or their relatives are able to exercise significant influence**

51. Saraswathi Estate
52. Sovereign Hotels
53. Spring Borewells Company Private Limited
54. Sree Gurunath Panels
55. Sri Gurunath Tradings Private Limited
56. Sri Narmada Distilleries Private Limited
57. Surya Watch Industries Private Limited
58. The Distillers Company Private Limited
59. Thiruvonam Wines
60. Tiger Breweries Limited
61. Trishul Wineries & Distilleries Private Limited
62. United Glass Bottles Manufacturing Company Limited
63. Universal Business Concepts Private Limited
64. Universal Trading Company
65. Valshawi Communications Private Limited
66. Vindhya Distilleries
67. Vyjayanthi Tradings Private Limited
68. Wesco Power Generation Limited
69. West India Distilleries Private Limited
70. Yajaman Enterprises

# KHODAY INDIA LIMITED

## Significant Accounting Policies and Notes on Financial Statements [Rupees in Thousands]

Particulars	2013-14				2012-13			
	Subsidiary	Key Management Personnel	Relatives of Key Management personnel	Entities over which Key Management Personnel and/or their relatives are able to exercise significant influence	Subsidiary	Key Management Personnel	Relatives of Key Management personnel	Entities over which Management Personnel and/or their relatives are able to exercise significant influence
A. Income								
Sales				16,553				
B. Expenses								
Purchase of Goods / Services				321				
Leasing arrangement / Rent		270		2,713		270		810
Traveling, Sales promotion and others				2,915				
Sales of Fixed Assets								
Purchase of Fixed Assets								
Closing Balance		73,338 (Credit)		362,968 (Credit)		74,558 (Credit)		10,000 (Credit)
C. Investment in Subsidiary	500				100			
Partnership firm				812,592				
Companies				480				
D. Others								
Guarantee and Collateral obtained from*			9,97,825				10,18,764	

\* Includes Personal guarantee obtained from entities over which key management personnel are able to exercise significant influence, key management Personnel and their related parties.

NOTE: No Amount has been written back or written off during the year in respect of amounts due to or from related parties.

**Significant Accounting Policies and Notes on Financial Statements**
**[Rupees in Thousands]**
**37 Leases**

The Company has taken certain assets on operating lease and certain assets on Finance Lease. The amounts of further minimal lease payments are stated below:

Particulars	2013-14	2012-13
<b>Operating Lease:</b>		
Less than 1 year	1,574	1,574
Later than 1 year & not later than 5 years	Nil	Nil
Later than 5 years	Nil	Nil
<b>Finance Lease:</b>		
Less than 1 year	10,570	7,481
Later than 1 year & not later than 5 years	15,201	15,408
Later than 5 years	Nil	Nil

**38 Earnings Per Share**

Particulars		2013-14	2012-13
Profit/(Loss) after Taxation as per Profit and Loss Account (in Rs.'000)	A	34,341	(2,31,247)
Weighted Average Number of Equity Shares (in Nos)	B	3,75,91,237	3,75,91,237
Earnings per Share - Basic (in Rs.) [A/B]		0.91	(6.15)
Earnings per Share - Diluted (in Rs.) [A/B]		0.91	(6.15)
Face Value per Share (in Rs.)		10	10

**39 Deferred Tax**

In accordance with the Accounting Standard - 22 "Accounting for Taxes on Income" the company reviewed the deferred tax assets and liabilities. As a measure of prudence, this net deferred tax asset has not been recognized in the financial statement. The details are as below:-

Particulars		2013-14	2012-13
<b>Deferred Tax - Liabilities:</b>			
On Depreciation differences		10,662	5,684
On Prepaid license fee		19,483	5,187
<b>TOTAL</b>	<b>A</b>	<b>30,145</b>	<b>10,871</b>
<b>Deferred Tax - Assets</b>			
On Employees Benefits		23,069	22,035
On unabsorbed tax losses and depreciation		56,037	62,147
<b>TOTAL</b>	<b>B</b>	<b>79,106</b>	<b>84,182</b>
<b>Net Deferred Tax Liabilities / [Assets] [A - B]</b>		<b>(48,961)</b>	<b>(73,311)</b>

**Significant Accounting Policies and Notes on Financial Statements**

**[Rupees in Thousands]**

**40 Payments made or provided for Directors**

Particulars	2013-14	2012-13
Directors' sitting fees	56	65
Managerial Remuneration	*	*
* Remuneration to Managerial personnel has not been provided		

- 41 Fixed Assets includes a building with a WDV of Rs. 10,856 thousands (Previous Year: Rs. 11,426 thousands) the title of which is under dispute before the Debt Recovery Tribunal / City Civil Court. Pending resolution of this dispute, the company continues to reckon the Building as an asset in its financial statement.
- 42 During the year, the Company has identified certain impairable Plant & Machinery of Glass Division having a net block of Rs.1,751 thousands, which have been written down to NIL as there is no recoverable amount from these assets. The impairment loss of Rs. 1,751 thousands have been charged off to Statement of Profit & Loss.
- 43 Certain confirmation of balances for Trade Payables (Current and Non-Current), Trade Deposits and Advances, Capital Advances, Deposits, Other Loans & Advances and Trade Receivables are awaited. The accounts' reconciliations of some parties where confirmation have been received are in progress. Adjustments for differences, if any, arising out of such confirmations/ reconciliations would be made in the accounts on receipt of such confirmations and reconciliations thereof. The Management is of the opinion that the impact of adjustments, if any, is not likely to be significant. In the opinion of the Management all current assets, loans and advances including advances in capital accounts would be realized at the values at which these are stated in the accounts, in the ordinary course of business.

For and on Behalf of the Board



**K. L. RAMACHANDRA**  
CHAIRMAN

**K. L. SRIHARI**  
VICE - CHAIRMAN &  
MANAGING DIRECTOR



**R. VENKAT**  
**SUBRAMANYAN**  
COMPANY SECRETARY

As per our report of even date  
for **RANGARAJU & ASSOCIATES**  
CHARTERED ACCOUNTANTS



**KRISHNAN RANGARAJU**  
(PARTNER)

Membership No. 018457  
(Firm Regn No: 069127)

Place: Bangalore  
Date: 27.05.2014








**KHODAY INDIA LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014**

Particulars	[Rupees in thousands]	
	2013-14	2012-13
<b>A. Cash flow from Operating Activities</b>		
Net Profit Before Tax	47,848	(2,28,554)
Adjusted for:		
Depreciation	51,073	49,187
Impairment of Assets	1,751	-
Loss/(Profit) on sale Fixed Assets	(736)	-
Interest Income	(883)	(1,073)
Dividend Income	(35)	(28)
Interest & Bank Charges	2,46,508	2,49,947
Sundry Credit balance written back	(21,499)	(1,376)
Irrecoverable advances and Bad debts written off	58,415	138
Loss from Lakshmi Estate (Partnership Firm)	1,088	1,064
Unrealised Foreign Exchange Fluctuation		
<b>Operating Profit Before Working Capital Changes</b>	<b>3,83,531</b>	<b>69,305</b>
Adjusted for:		
Trade and other Receivables	(1,92,066)	1,87,518
Inventories	(80,338)	(57,206)
Trade and other payables	1,78,200	2,01,037
<b>Cash Generated from operations</b>	<b>2,89,329</b>	<b>4,00,654</b>
Net prior year adjustments	(4,257)	(718)
Taxes paid (Current and relating to Previous years)	(160)	(46,155)
<b>Net Cash from / (Used in) Operating Activities [A]</b>	<b>2,84,912</b>	<b>3,53,781</b>
<b>B. Cash Flow from Investing activities</b>		
Purchase of Fixed Assets	(43,741)	(55,593)
Sale of Fixed Assets	3,814	-
Purchase of Investment	(704)	-
Interest Income (Gross)	883	1,073
Dividend Income	35	28
<b>Net Cash from / (Used in) Investing Activities [B]</b>	<b>(39,713)</b>	<b>(54,492)</b>
<b>C. Cash flow from Financial Activities</b>		
Proceeds from Borrowings	1,57,436	1,44,725
Repayment of Borrowings	(1,50,880)	(1,74,190)
Interest & Bank Charges	(2,46,508)	(2,49,947)
<b>Net Cash flow from/(Used in) Financing Activities [C]</b>	<b>(2,39,952)</b>	<b>(2,79,412)</b>
<b>Net Cash Flows during the year (A+B+C)</b>	<b>5,246</b>	<b>19,877</b>
Cash & Cash Equivalents (Opening Balance)	37,682	17,805
Cash & Cash Equivalents (Closing Balance)	42,928	37,682

# FORM A

Format of covering letter of the Annual audit report to be filed with the stock exchanges

1.	Name of the Company	Khoday India Limited BSE Stock code: 507435
2.	Annual financial statements for the year ended	31 <sup>st</sup> March 2014
3.	Type of Audit observation	Unqualified Report
4.	Frequency of observation	---
5.	To be signed by -	<p style="text-align: center;"><b>For Khoday India Limited</b></p> <p style="text-align: center;"> (K.L. Sethari) Vice-Chairman &amp; Managing Director</p> <p style="text-align: center;"><b>For RANGARAJU AND ASSOCIATES</b> Chartered Accountants</p> <p style="text-align: center;"> (KRISHNAN RANGARAJU) Partner Membership no: 18457</p> <p style="text-align: center;"></p> <p style="text-align: center;">Maj. Gen. (Retd) M.K. Paul Chairman of Audit Committee of Directors of the Company</p>