

Khoday India Limited

DISTILLERS, BREWERS & MALTSTERS

Regd. Office : "BREWERY HOUSE" 7th Mile, Kanakapura Road
BANGALORE-560 062

01.07.2017

CIN : L85110KA1965PLC001590

BSE Ltd
Floor 25,
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai-400 001

Kind Attn.: Manager, DCS


Dear Sir,

Sub:- Compliance under Regulation 34(1) of SEBI (LO & DR) Regulations 2015

In compliance with Regulation 34(1) of SEBI (LO & DR) Regulations 2015, we forward herewith the scanned Annual Report of the Company for the financial year 2016-17, containing the Directors' Report, audited Standalone and Consolidated financial statements as at 31st March 2017 together with the Independent Auditors' Report and Cash Flow Statements which were adopted at the Annual General Meeting held on 30-06-2017.

Thanking You.

Yours faithfully,
For Khoday India Limited



(R.Venkat subramanyan)
Company Secretary & CFO

Encl: As above.

Khoday India Limited

DISTILLERS, BREWERS & MALTSTERS

Regd. Office : "BREWERY HOUSE" 1st Mile, Kanakapura Road
BANGALORE-560082

ANNUAL REPORT FOR THE FINANCIAL YEAR 2016-17

DIRECTORS' REPORT

Your Directors present the 51st Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2017:

Financial Highlights (Stand Alone):

(Rs.in Lakhs)

Sl.No.	Particulars	2016-17	2015-16
1.	Revenue from operations	14767.32	20039.83
	Other Income	397.39	271.27
2.	Total Revenue	15164.71	20311.10
3.	Profit / (Loss) before exceptional items and Tax	(862.43)	319.45
4.	Exceptional items	-	-
5.	Profit / (Loss) after exceptional items but before tax	(862.43)	319.45
6.	Provision for Taxation Current Tax	-	-
7.	Profit/(Loss)after Tax LESS: Income Tax for the earlier years LESS: Prior year adjustments	(862.43) 1.46 -	319.45 1.01 -
8.	Net Profit/(Loss)for the year	(863.89)	318.44
9.	Appropriation Dividend Dividend Tax	- -	- -
10.	Balance carried forward	(863.89)	318.44
11.	EPS – Basic & Diluted	(2.57)	0.95

Review of performance:

The Company has registered net income of Rs.151.64 Crores, which represents a decrease of about 25.34 % over the previous year. This has adversely impacted the financials, resulting in the net loss of Rs.8.63 crores.

Dividend:

Your Directors regret the inability to recommend any dividend in view of the loss incurred by the Company during the financial year.

Change in nature of business, if any and material changes and commitments:

There has been no change in the nature of business during the financial year. So also there has been no material change and commitments between 31st March 2017 and 07th June 2017, impacting the financial position of the Company.

Details of significant and material Orders passed by Regulators / Courts :

a) 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 30th 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 07th 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 12th 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. In compliance with the procedure approved by the Court vide the said Order, the Company has deposited the entire sum of Rs.29.48 Crores payable in respect of the shares so cancelled, in a Special Account opened with Punjab National Bank, L C Branch, Bangalore.

Subsequently , about 4 weeks thereafter, Securities and Exchange Board of India (SEBI), filed multiple applications before the same Court for (i) impleading itself in the Company's petition and (ii) recall and stay of the Order dated 07-08-2014, which were all dismissed by the Court vide its subsequent Order dated 21-09-2015. Although SEBI has filed an appeal before the Division Bench of the same Court, which is pending adjudication, the said Order has not been stayed and is in force as an Order-in-rem.

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, 07-12-2014, 07-04-2015, 22-06-2015 and 13-10-2015 for the purpose of drawing up the list of erstwhile public shareholders entitled to payment in respect of the shares so cancelled, have not so far been accepted by BSE Limited, reportedly at the instance of SEBI. Therefore the Company has filed an application during July 2016 before the Hon'ble High Court of Karnataka, seeking to implead BSE Ltd in COP 132/2014 and a direction to it to accept the fresh Record Date that may be fixed by the Company. The Company Judge who heard the said application on 01-06-2017, has ordered issue of notice to BSE Ltd.

The Orders of the Court as detailed above, do not impact the going concern status of the Company.

Even though the Company has not been able to effect payment in respect of cancelled shares in dematerialized mode owing to the procedural impediment of non acceptance of Record Date (fixed by the Company in six attempts) by BSE Ltd, considering that the company has been receiving incessant and anxious queries from the persons entitled to payment and in view of the fact that the Order dt.07.08.2014 passed by the Hon'ble High Court of Karnataka in COP 132/2014 in the matter of Reduction of paid-up equity share capital, is in force as Order-in-Rem and there were no legal and/or procedural impediment to effect payment in respect of cancelled shares held only in physical mode by the erstwhile public shareholders of the Company. In the backdrop of anxious queries, received from the erstwhile public shareholders regarding the delay in payment due to them, the Committee of Board of Directors on Reduction of Capital, at its meeting held on 13-03-2017 decided to effect payment to those erstwhile public shareholders who surrender their original share certificates in respect of cancelled shares held in physical mode. Pursuant to the opportunity extended as above, payment amounting to Rs.11,19,825/- has so far made in respect of 14,931 cancelled shares held in physical mode out of the sum of money of Rs.29.48 Crores deposited in the Special Account.

b) Listing Agreement with stock exchanges

The Company has complied with the requirements of regulatory authorities on capital markets and no penalties have been imposed during the last three years. However, in the matter of compliance with the requirement of minimum public shareholding under Rule 19 (2)(b) and 19(A) of Securities Contract (Regulation) Rules 1957, read with Clause 40(A) of the erstwhile Listing Agreement and Regulation 38 of SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015, SEBI vide its final order dated 24th July 2014 confirmed its interim order dated 04th June 2013, 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 Appeal filed by the Company before Securities Appellate Tribunal, on the strength of the Order dated 07th August 2014 (as reinforced vide the subsequent Order dated 21-09-2015) passed by the Hon'ble High Court of Karnataka, was disposed off by SAT vide its Order dated 07-07-2016, with a direction to SEBI to consider a fresh representation to be filed by the Company in the matter. Pursuant to the said Order, the Company filed a detailed representation before SEBI on 27-07-2016 and a personal hearing was held in the matter on 08-11-2016, before the Whole-time Member. A written submission, summing up our pleadings in the hearing has also been filed subsequently. Thereafter, the Whole-time Member has passed an Order on 08-05-2017 disposing off the Company's representation by confirming final Order of SEBI dt: 24-07-2014. The Company's management has decided to file a fresh appeal before SAT challenging the said Order dated 08-05-2017 of SEBI.

Internal Control Systems:

The Company has an adequate system of internal financial controls and procedures commensurate with the size and nature of business. These procedures are designed to ensure that all the assets are safeguarded, protected against loss and all transactions authorized, recorded and reported correctly. The internal control systems of the Company are monitored, reviewed and evaluated periodically by the members of the Audit Committee.

Deposits:

The Company did not accept any deposits from the public during the year. Further, there were no outstanding deposits pending repayment.

Directors :

Changes in Directors:

The Board records its profound grief and sorrow, the sad and untimely demise of Mr.K.L.Srihari, Vice-Chairman and Managing Director of the Company, on 31-10-2016, after a period of illness.

Mr.Srihari as a dynamic and versatile businessman with philanthropic disposition who not only provided inspiring leadership for Khoday India Limited but was also the pivot of the diversified businesses of 51 other Companies, 17 Partnership Firms and 2 Family Trusts in the Khoday Group. Mr.Srihari was solely entrusted with the responsibility of treasury management for Khoday India Ltd, other Companies, Firms and Trusts in the Khoday Group of businesses.

The Board places on record its sincere and deep appreciation of the invaluable contributions made by Mr.Srihari as Vice-chairman & Managing Director of Khoday India Limited.

Re-appointment of directors retiring by rotation:

In accordance with Article 37(A) of the Articles of Association of the Company Mr.K.L.Ramachandra and Mr.K.S.Giridhar the Non-Executive Directors retire by rotation and being eligible have offered to be re-appointed at the ensuing Annual General Meeting.

The particulars of the above Directors proposed to be re-appointed are given in the separate section relating to report on Corporate Governance.

Appointment of Company Secretary as also the Chief Financial Officer:

Pursuant to Section 203 of the Companies Act, 2013, read with Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, which mandates the appointment of Chief Financial Officer for a Listed Company, Mr.R.Venkat subramanyan, Company Secretary has been appointed as Company's Chief Financial Officer w.e.f. 07-06-2017 and consequently re-designated as Company Secretary and Chief Financial Officer on the existing terms and conditions of appointment including remuneration for the time being.

Form No. AOC-2

(Pursuant to *clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014*)

Form AOC – 2, giving details of transactions with related parties, is attached to this report.

Whistler Blower Mechanism :

The Company has a Whistler Blower Policy in place for vigil mechanism., as mandated by Regulation 4(2)(d)(iv) of SEBI (LO&DR) Regulations 2015.

Statutory Auditors :

It is proposed to appoint Mr.G.S.Ravikumar, Chartered Accountant as Statutory Auditors of the Company for a term of 5 consecutive years, in place of the erstwhile Statutory Auditors, M/s Rangaraju and Associates, whose appointment ceases at the ensuing Annual General Meeting, upon completion of their maximum tenure as prescribed under Section 139 (2) of the Companies Act, 2013. Mr.G.S.Ravikumar, has furnished the certificate of eligibility for his appointment as required under Section 141 of the Act.

Secretarial Auditor

The provisions of Section 204 read with Section 134(3) of the Companies Act, 2013, mandates Secretarial Audit to be conducted from the financial year commencing on or after 1st April 2016 by a Company Secretary in Practice. The Board at its meeting held on 13-02-2017 has therefore appointed Mr.G.Nagaraju (Certificate of Practice No. 4025) as the Secretarial Auditor for the financial year ended 31st March 2017. The Secretarial Auditor's Report for the financial year ended 31st March 2017 is annexed to this Board's Report.

Transfer to Investor Education & Protection Fund

The Company does not carry any amount representing unpaid and unclaimed dividend, unpaid interest on debentures, unpaid deposits etc., of the nature specified under Section 125 of the Companies Act, 2013.

Share Capital

As stated in the foregoing paragraphs, the Hon'ble High Court of Karnataka at Bangalore vide its Order dated 07-08-2014, confirmed the special resolution passed by the members at the Annual General Meeting held on 30th December 2013 for reduction of paid-up equity share capital by canceling 39,31.042 shares held by the public, under Section 100 read with Sections 101 to 105 of the Companies Act, 1956. Upon registration of the said Order by the Registrar of Companies in Karnataka, Bangalore, vide Certificate dated 12th September 2014, the paid-up equity share capital of the Company stands reduced from Rs.37,59,12,370/- to Rs.33,66,01,950/-, divided into 3,36,60,195 equity shares of Rs.10/-each . The entire paid-up share capital of the Company is presently held by its promoters and persons belonging to the promoter group.

Details of Managerial Remuneration pursuant to Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014:-

During the financial year, the Company did not pay any remuneration to any of its executive , non-executive and independent directors, excepting sitting fee paid to independent directors for attending meetings of the Board and the Committees thereof. The details of sitting fee paid are given in Corporate Governance Report annexed hereto.

There were 385 permanent employees on the rolls of the Company as at 31st March 2017.

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.

During the financial year, no increase was effected in the salary of Chief Operations Officer, Company Secretary or any Manager of the Company.

It is affirmed that the remuneration paid to the employees at all levels is as per the remuneration policy of the company.

Particulars of loans, guarantees or investments:

During the financial year the Company has not given any loan or extended any guarantee to any person. So also no fresh investment of the nature specified in Section 186 of the Companies Act, 2013, was made by the Company.

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'.

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 as Annexure "B" to the Director's Report. The Company has complied with the requirements of Corporate Governance as stipulated in Regulation 27 of the SEBI (LO&DR) Regulations 2015. The Certificate obtained from the Company's Auditors on compliance with Corporate Governance requirements is annexed thereto.

Directors' Responsibility Statement:

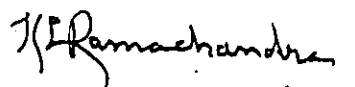
Pursuant to the provisions of Section 134 (5) of the Companies Act, 2013, (the Act) your Directors state that:-

- 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 31st March 2017 and of the loss incurred by the Company for the period ended the said date;
- iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, 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.
- v. the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- vi. the Directors devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgements:

Your Directors thank the customers, vendors, 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



Date: 07th June 2017
Place: Bangalore

K.L.Ramachandra
Chairman

Annexure "A" to Directors' Report

1. 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 LED lamps.
- Replacement of capacitors resulted in better power factor and the resultant savings in power costs.

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)

4. FOREIGN EXCHANGE EARNINGS AND OUTGO

<u>PARTICULARS</u>	<u>31-03-2017</u>	<u>31-03-2016</u>
A.FOREIGN EXCHANGE OUT GO	33170	12480
B. FOREIGN EXCHANGE EARNINGS	994	1244

Khoday India Limited

FORM NO. AOC -2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arms length transaction under third proviso thereto.

A majority of the transactions entered into by the Company with the related parties during the financial year 2016-17 are in the nature of sales / purchase / service transactions, for which prior approval has been accorded during February 2014 by the Regional Director, South Western Region, Ministry of Corporate Affairs at Hyderabad, under section 297 of the Companies Act, 1956, for a period of 3 years i.e. upto 31st January 2017. For the transactions in respect of remaining period of two months i.e. February and March 2017 the value of each of the transactions was well within the limits as specified under the Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2014 (as amended vide notification GSR 590E dt. 14-08-2014), read with SEBI Circular CIR/CFD/POLICY CELL/2/2014 dated 17-04-2014, the Audit Committee of Directors at its meeting held on 14-11-2016, accorded its prior approval for the same.

So also as regards the Related Party Transactions other than those stated supra, the Audit Committee of Directors at its meeting held on 31-03-2016 has accorded its prior omnibus approval. It is to be noted herein that the value of each of them is well within the limits as specified under the Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2014 (as amended vide notification GSR 590E dt. 14-08-2014), read with SEBI Circular CIR/CFD/POLICY CELL/2/2014 dated 17-04-2014.

1. Details of contracts or arrangements or transactions not at Arm's length basis.

SL. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	Nil

2. Details of contracts or arrangements or transactions at Arm's length basis.

Name(s) of the related party & nature of relationship	Nature of contracts/ arrangements / transaction	Duration of the contracts/ arrangements / transaction	Salient terms of the contracts or arrangements or transaction including the value, if any (Rs.)	Date of approval by the Audit Committee/ Board	Amount paid as advance, if any
Khoday's Breweries Ltd - KMP able to exercise significant influence	Sale of goods	12 months	1344133	31-03-2016	0

Khoday Industries Pvt Ltd - KMP able to exercise significant influence	Sale of goods	12 months	442043	31-03-2016	0
Cassanova Distilleries Pvt Ltd - KMP able to exercise significant influence	Sale of goods	12 months	6116432	31-03-2016	0
Rammohan and Company Pvt Ltd - KMP able to exercise significant influence	Availment of Service	12 months	351398	31-03-2016	0
Khoday Control Systems Pvt Ltd - KMP able to exercise significant influence	Purchase of Goods and Services	12 months	4509	31-03-2016	0
L K Trust - KMP able to exercise significant influence	Lease rent paid	12 months	1165256	31-03-2016	0
L K Trust - KMP able to exercise significant influence	Purchase of Goods and Services	12 months	24625	31-03-2016	0
Khoday's Breweries Ltd - KMP able to exercise significant influence	Lease rent received	12 months	689500	31-03-2016	0
Blendwell Bottlers Pvt Ltd - KMP able to exercise significant influence	Lease rent paid	12 months	900000	31-03-2016	0

ANNEXURE 'B' TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

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 30th December 2013.

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 13 Directors of whom 2 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 08-06-2015	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	4	Present	5	1-Member
*Mr..K.L.Srihari	Vice Chairman & Managing Director	Promoter-Executive	1	Present	5	1-Member
Mr.K.L.A. Padmanabhasa	Joint Managing Director	Promoter-Executive	3	Present	5	-
Mr..K.L.Swamy	Executive Director	Promoter-Executive	4	Present	5	1-Member
Mr..Khoday Swamy Giridhar	Director	Promoter - Non Executive	2	Present	5	1 -Chairman 1 -Member
Mr..Khoday Ramachandra Nithyanand	Director	Promoter - Non Executive	4	Present	7	-
Mr..Khoday Srihari Gurunath	Director	Promoter - Non Executive	4	Present	7	1 Member
Maj.Gen.(Retd.) M.K.Paul	Director	Independent - Non Executive	4	Present	-	3-Chairman
Mr.Bangra Kulur Ratnakar Rao	Director	Independent - Non Executive	4	Present	-	1 - Member
Mr.Damam Vittalsa Sathyanarayana	Director	Independent - Non Executive	3	Present	-	2 Member
Mr.Puranic Ramachar Ananda Murthy	Director	Independent - Non Executive	3	Present	-	1 Member
Mr.Dowray Prabhakara Rao	Director	Independent - Non Executive	4	-	-	2 Member

Mrs.Pamela Sunawala	Director	Independent – Non Executive	3	-	-	-
Mr.Khaja Afzaluddin Sheriff	Director	Independent – Non Executive	4	Present	-	-

- Mr.K.L.Srihari, Vice-Chairman and Managing Director of the Company passed away on 31-10-2016.

During the financial year 2016-17, four Board meetings were held i.e on 28-05-2016, 13-08-2016, 14-11-2016 & 13-02-2017.

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

Disclosures concerning directors proposed to be re-appointed:

- Mr.Khoday Lakshmansa Ramachandra

Mr.K.L.Ramachandra : Mr.K.L.Ramchandra aged 85 years is the eldest of the illustrious Khoday Brothers. Mr.Ramachandra is an industrialist by profession, presiding over as a Chairman of the business conglomerate of the Khoday Group of Companies. Renowned for his business acumen and administrative skills, the articulate Mr.Ramachandra steered the Company as its Chairman and Managing Director, for over a period of 23 years since its incorporation upto April 1989, when he handover the reins of Chief Executive to his younger brother Mr.K.L.Srihari.

Mr.K.L.Ramachandra is presently the Non-Executive Chairman of the Company and he also a Member of the Audit Committee of the Board of Directors of the Company. The Company is continues to be benefited by the wise counsel of Mr.Ramachandra in various facets of business.

Mr.K.L.Ramachandra holds 4,06,024 equity shares of the Company in his individual name and 58,11,839 shares in the name of K.L.Ramachandra (HUF) of which he is the Kartha, as on 31st March 2017 as well as on 07th June 2017.

Mr.K.L.Ramachandra is a Director in 5 other public companies and 14 private companies in the Khoday Group.

- Mr.Khoday Swamy Giridhar, a Scion of the Khoday Family has been a Non-executive Director of the Company since his appointment on 30th December 2008. Aged 44 years, Mr.Giridhar holds a Diploma in Civil Engineering and has been actively associated with the various facets of the business in the Khoday Group. Mr.Giridhar holds 72,000 equity shares of the Company in his name as on 31st March 2017 as well as on 07th June 2017.

Mr.Giridhar is a Director in 5 other public companies and 14 private companies in the Khoday Group.

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, and the same has been affirmed by a separate declaration given by the Executive Director.

Independent Directors:

The Company has appointed seven Independent Directors who are renowned persons having expertise in their respective field.

All the seven Independent Directors have given the declaration to the Company stating their independence pursuant to Section 149(6) of the Companies Act, 2013.

Annual Evaluation of Board's Performance:-

In compliance with the requirement under Regulation 25 of SEBI (LO&DR) Regulations 2015, a meeting of the Independent Directors was held on 13th August 2016, wherein the performance of Non-Independent Directors, including the Chairman and the Board as a whole was evaluated with reference to the following criteria:

- a) Assessment of the quality, quantity and timeliness of flow of information between the Management and the Board of Directors for ensuring effective and efficient performance and duties by the Directors.
- b) Participation in the Board / Committee meetings and integrity and maintain of confidentiality, effective management of relationship with all Stakeholders.
- c) Periodical review of Corporate Strategy and Risk Management System evaluation of composition of the Board for ensuring right mix of knowledge and skills sufficient to maximize performance.
- d) Refreshing of knowledge and skills with particular emphasis of industrial market condition and the developments in areas such as Corporate Governance Framework and Financial Reporting.

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 erstwhile Companies Act, 1956. The Committee acts as a link between Internal and Statutory Auditors and the Board of Directors. The Committee provides the Board with additional assurance as to the adequacy of Internal Financial Control Systems and Financial Disclosures. The broad terms of reference of the Audit Committee are as per Section 177 of the Companies Act, 2013 and to review with the Management and / or Internal Auditors and / or Statutory Auditors in the following areas:-

- a) Overview of the Company's financial reporting process and financial information disclosures.
- b) Review with the Management the annual and quarterly financial statements before submission to the Board.
- c) Review with the Management the Internal and External Audit Reports and the adequacy of internal control systems.
- d) Review of the adequacy and effectiveness of Accounting and Financial Control of the Company, compliance with Company's policies and applicable laws and regulations.
- e) Recommending the appointment and removal of External Auditors and fixation of audit terms.
- f) Fixing of annual monetary limits of Related Party Transactions in terms of the provisions under Section 188 of the Companies Act, 2013 and review of actual related party transactions every quarter.

The Audit Committee presently comprises 4 members viz., Mr.K.L.Ramachandra – Non-Executive Director, and other 3 Independent non-executive Directors viz., Maj.Gen.(Retd.)M.K.Paul, Mr.D.V.Sathyanarayana and Mr.D.Prabhakara Rao. 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 28-05-2016, 13-08-2016, 14-11-2016 and 13-02-2017.

Name of Members	Designation	Category	No. of Audit Committee Meetings attended
Mr.K.L.Ramachandra	Member	Promoter-Non-Executive	4
Maj.Gen.(Retd.) M.K.Paul	Chairman	Independent-Non Executive	4
Mr.D.V.Sathyanarayana	Member	Independent – Non Executive	3
Mr.D.Prabhakara Rao	Member	Independent – Non Executive	3

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, Mr.D.V.Sathyanarayana & Mr.D.Prabhakara Rao. The Committee held its only meeting on 28-05-2016 during the financial year.

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 08th September 2014, 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, 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. During the financial year the Committee held its only meeting on 13-03-2017, with full quorum.

Stakeholders Relationship 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.Swamy and Mr.K.H.Gurunath are the other two members. Mr.R.Venkat subramanyan, Company Secretary functions as the Compliance Officer.

During the year, the Committee met 13 times i.e. on 30-06-2016, 17-07-2016, 20-7-2016, 11-08-2016, 31-08-2016, 12-10-2016, 21-10-2016, 12-12-2016, 30-12-2016, 11-01-2017, 01-03-2017, 10-03-2017, and 20-03-2017.

The Company received two complaints from the shareholders, which were duly redressed to the satisfaction within 30 days of receipt.

Pursuant to Regulation 25(3) of SEBI (LO&DR) Regulations 2015, the Independent Directors of the Company held a meeting on 13-08-2016 without the presence of any of the Non-Independent Directors.

General Body Meetings:

A) Particulars of last three Annual General Meetings held:

AGM	Financial year ended	Venue	Date	Time	Whether Special Resolution passed
50 th	31-3-2016	'Brewery House'. 7 th Mile, Kanakapura Road, Bangalore	27-06-2016	11.00 A.M.	A special resolution was passed for continuance of Mr.K.L. Swamy as Executive Director beyond 70 years of age.
49 th	31-3-2015	'Brewery House'. 7 th Mile, Kanakapura Road, Bangalore	08-06-2015	11.00 A.M.	Re-appointment of two whole-time directors.

48 th	31-3-2014	'Brewery House'. 7 th Mile, Kanakapura Road, Bangalore	29-12-2014	11.30 A.M.	Yes, passed for continuance of appointment of two whole-time directors, beyond 70 years of age and re-appointment of another whole-time director.
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Postal Ballot:

No resolution is proposed to be passed by postal ballot at the ensuing Annual General Meeting scheduled to be held on 30-06-2017

Disclosures:

- (i) Attention of the Members is drawn to the list of related parties with whom transactions were entered into during the financial year as disclosed in 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 for the year 2015-16
1.	Maj.Gen(Retd.) M .K. Paul	19,250/-
2	Mr.Bangra Kulur Ratnakar Rao	10,500/-
3.	Mr.D.V.Sathyanarayana	12,250/-
4.	Mr.P.R.Ananda Murthy	8,750/-
5.	Mr.D.Prabhakara Rao	14,000/-
6.	Mrs.Pamela Sunawala	7,000/-
7.	Mr.K.A.Sheriff	8,750/-
	Total	80,500/-

- 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 4,06,024 shares of the Company in his name and 58,11,839 shares are held in the name of K.L.Ramachandra (HUF) Mr.K.S.Giridhar, Mr.K.R.Nithyanand and Mr.K.H.Gurunath hold 72,000, 36,007 and 35,964 shares of the Company in their respective names. Out of the 7 Independent and Non-Executive Directors, Maj.Gen(Retd.) M.K.Paul, Mr.Bangra Kulur Ratnakar Rao, Mr.D.V.Sathyanarayana,, Mr.D.Prabhakara Rao and Mr.Khaja Afzaluddin Sheriff do not hold any shares of the Company in their name. Mr.P.R.Anandamurthy and Mrs.Pamela Sunawala held 1 and 150 equity shares of the Company respectively, which have since been canceled pursuant to Reduction of Capital to the extent of the entire public shareholding.

iii) CEO/CFO Certification: The Executive Director's Compliance Certificate to the Board of Directors, pursuant to Regulation 17(8) of SEBI (LO&DR) Regulations 2015 is reproduced herein below:

COMPLIANCE CERTIFICATE

[See Regulation 17(8)]

- A. I have reviewed financial statements and the cash flow statement for the year ended 31st March 2017, and that to the best of my knowledge and belief:
- (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (2) these statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the listed entity's code of conduct.
- C. I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and I that the said controls do not suffer from any deficiencies in their design and operations.
- D. There are significant changes in internal control over financial reporting and accounting policies during the year;
- E. There has been no instance of fraud of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Place: Bangalore
Date : 7th Feb 2017

(K.L.Swamy)
Executive Director

Compliance with mandatory requirements under Schedule II to SEBI (LO&DR) Regulations 2015:

The mandatory requirements under Schedule II to SEBI (LO&DR) Regulations 2015, have been complied with by the Company.

Discretionary requirements under Part-E of Schedule II to SEBI (LO&DR) Regulations 2015:

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

iii) Mr.K.L.Ramachandra being a Chairman is a Non-Executive Director whereas, Mr.K.L.A.Padmanabhasa is the Whole-time Director designated as Joint Managing Director and Mr.K.L.Swamy, is also a Whole-time Director designated as Executive Director. Thus the post of Chairman is distinct and separate from that of the Whole-time Director.

Penalties / punishment /compounding of offences :

No penalty was imposed on the Company or its Officers by any Authority of the Government , during the year.

Means of communication:

- i. The statements of quarterly financial results and the Audited Annual Financial Statement and the Annual Report inter-alia containing the said statements are furnished to the Stock Exchange in due compliance with SEBI (LO&DR) Regulations 2015.
- ii. The un-audited financial results are published in the English daily newspaper "Financial Express" and Kannada daily newspaper " Vijaya Vani" / Praja Vani
- iii. In due compliance with Regulation 46 of SEBI (LO&DR) Regulations 2015, action is being taken to host on the Company's website, "khodayindia.com" (which is being reconstructed) the quarterly un-audited financial statements, audited financial statement, shareholding pattern, particulars of Independent Directors and policies framed such as Nomination and Remuneration Policy, Related Party Transaction Policy, Whistle Blower Policy and Code of Conduct to Regulate, Monitor and Report Trading by Insiders.

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.

General Shareholder Information:

i. The 51st Annual General Meeting is scheduled to be held on Friday the 30th June 2017 at 11.00 a.m at the Registered Office of the Company at "Brewery House", Kanakapura Main Road, Bangalore-560 062.

ii. Financial year : 1st April 2016 to 31st March 2017

iii. Dividend Payment Date : No dividend payment is proposed. However, the Register of Members and Share Transfer Books will remain closed from 23rd June 2017 to 30th June 2017 (both days inclusive)

iv. Shares of the Company Listed at :-

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

The Annual Listing Fee for the year 2016-17 has been paid to BSE Limited.

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
Apr-2016	69.45	58.1	26,100.54	24,523.20
May-2016	74.4	61	26,837.20	25,057.93
Jun-2016	68	60	27,105.41	25,911.33
Jul - 2016	66	61.25	28,240.20	27,034.14
Aug-2016	66	60	28,532.25	27,627.97
Sept-2016	68.1	60.3	29,077.28	27,716.78
16-Oct-2016	69.3	60.3	28,477.65	27,488.30
Nov-2016	69.05	58	28,029.80	25,717.93
Dec-2016	66	58	26,803.76	25,753.74
Jan-2017	62.9	56.2	27,980.39	26,447.06
Feb-2017	63.30	57.00	29065.31	27590.10
Mar-2017	62.70	54.10	29824.62	28716.21

vii . Registrar and Share Transfer Agent:

M/s. Integrated Enterprises (India) Limited,
30, Ramana Residency,
4th 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 15 days of receipt of the documents as required under Regulation 40(3) of SEBI (LO&DR) Regulations 2015. 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 Regulation 40(9) SEBI (LO&DR) Regulation 2015, 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 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 Regulation 55A of 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:-

The particulars of Shareholding Pattern as on 31st March 2016 has been given in the annexed format MGT 9, pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014].

x. Dematerialization of shares and liquidity:

Equity shares of the company being in the compulsory dematerialized segment, their trading was 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 30,13,594 as on 31st March 2017.

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",
7th Mile, Kanakapura Road,
Bangalore-560 062.

Form No. MGT-9

**EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31st March 2015**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- i) CIN:- L85110KA1965PLC001590
- ii) Registration Date : 28-09-1965
- iii) Name of the Company – Khoday India Limited
- iv) Category / Sub-Category of the Company – Manufacturing
- v) Address of the Registered office and contact details

‘Brewery House’, 7th Mile, Kanakapura Road, Bangalore-560 062
- vi) Whether listed company Yes
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any
M/s Integrated Enterprises (India) Limited
30, Ramana Residency,
4th Cross, Sampige Road,
Malleshwaram,
Bangalore-560 003.
Ph.No: 23460815

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl.no.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1.	Alcoholic beverages of all types	24116	100 %

III. PARTICULARS OF HOLDING SUBSIDIARY AND ASSOCIATE COMPANIES

Sl.no.	Name and Address of the Company	CIN /GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1.	Khoday Properties Private Limited	U07010KA2005PTC036862	Subsidiary	100 %	2 (87)

Financial Performance and Statement about Khoday Properties Private Limited

The Company did not undertake any business activity during the year. However, its financials are as under:

1. Share Capital - Rs.5,00,000/- divided into 50,000 equity shares of Rs.10/- each. The entire share capital is held by the holding company Khoday India Limited.
2. Reserves and Surplus - Rs.(38,66,788/-)
3. Total Assets :

i) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0
c)Others (specify)	0	0	0	0	0	0	0	0
Sub-total (B)(2)	0	0	0	0	0	0	0	0
Total Public shareholding (B)= (B)(1)+(B)(2)	0	0	0	0	0	0	0	0
C. Shares held by Custodian for GDRs and ADRs	0	0	0	0	0	0	0	0
Grand total (A +B+C)	0	33660195	33660195	100	0	33660195	33660195	100

ii) Shareholding of Promoters :

1.	Srihari K L (HUF)	433100	1.29
2.	Ramachandra K L (HUF)	429146	1.27
3.	Padmanabhasa K L A (Huf)	428887	1.27
4.	Swamy K L (Huf)	418428	1.24
5.	Srihari K.L	385982	1.15
6.	Ramachandra K L	406024	1.21
7.	Padmanabhasa K L A	400500	1.19
8.	Swamy K L	363168	1.08
9.	Ghanashyam K P	72000	0.21
10.	Giridhar K S	72000	0.21
11.	Lalitha Swamy Khoday	72114	0.21
12.	Srihari K L (Ptnr K Lakshmansa & Co)	69826	0.21
13.	Srihari K L (Trustee L K Trust)	65455	0.19
14.	Nithyananda K R	36000	0.11
15.	Dayananda K R	36000	0.11
16.	Srinivas K H	36000	0.11
17.	Radheshyam K H	36000	0.11
18.	Rajalakshmi Srihari Khoday	35964	0.11
19.	Gurunath K H	35964	0.11
20.	Gulab Padmanabhasa Khoday	35964	0.11
21.	Srihari K L (Trustee L K & Sons)	27273	0.08
22.	Gayathri Holdings Private Limited	2342150	6.96
23.	Srihari K L - Partner - M/S Khoday R C A Industries	632552	1.88
24.	Vyjayanti Tradings Private Limited	535136	1.59
25.	Macdonald Tradings Private Limited	545286	1.62
26.	Panchaganga Tradings Private Ltd	532686	1.58
27.	Honeywell Business Private Limited	385215	1.14
28.	Sri Gurunath Tradings Private Ltd	556436	1.65
29.	Pancha Kalyanni Tradings Pvt Ltd	527886	1.57
30.	Peter Scot Tradings Private Limited	481036	1.43
31.	Khodays Breweries Ltd	97318	0.29
32.	Elkay Tradings Corporation Pvt Ltd	39958	0.12
33.	The Distillers Company Pvt Ltd	11818	0.04
34.	K L Ramachandra - HUF	5382693	15.99
35.	K L Srihari - HUF	5382695	15.99

36.	K L A Padmanabhasa - HUF	5382693	15.99
37.	K L Swamy - HUF	5382694	15.99
38.	K L Srihari	7	0.00
39.	K L A Padmanabhasa	7	0.00
40.	K L Swamy	7	0.00
41.	K R Nithyanand	7	0.00
42.	The Distillers Company Pvt Ltd	53846	0.16
43.	Hercules Construction Co. Pvt Ltd	106923	0.32
44.	K L Srihari - Trustee - L K Trust	1385351	4.12
	Total	33660195	100.00

Change in Promoters' Shareholding - There are no changes in Promoters' shareholding

No shares belonging to Promoter's holding were pledged / encumbered

iii) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs :

iv) Shareholding of Directors and Key Managerial Personnel :

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	Mr.K.L.Ramachandra Chairman	406024	1.20	406024	1.20
2.	Mr.K.L.Srihari - Vice-Chairman & MD **	385989	1.15	385982	1.15
3.	Mr.K.L.A.Padmanabhasa Joint Managing Director	400507	1.19	400507	1.19
4.	Mr.K.L.Swamy - Executive Director	363175	1.08	363175	1.08
5.	Mr.K.R.Nithyanand - Promoter Director	36007	0.11	36007	0.11
6.	Mr.K.H.Gurunath - Promoter Director	35964	0.11	35964	0.11
7.	Mr.K.S.Giridhar - Promoter Director	72000	0.21	72000	0.21
8.	Maj.Gen(Retd) M.K.Paul Independent Director	0	0	0	0
9.	Prof. L.R.Vagale Independent Director	0	0	0	0
10.	Mr.B.K.Ratnakar Rao- Independent Director	0	0	0	0
11.	Mr.P.R.Ananda Murthy *- Independent Director	0	0	0	0
12.	Mr.D.V.Sathyanarayana - Independent Director	0	0	0	0
13.	Mr.D.Prabhakara Rao - Independent Director	0	0	0	0
14.	Mrs.Pamela Sunawala *	0	0	0	0
15.	Mr.R.Venkat subramanyan - Company Secretary	0	0	0	0

*Mr.P.R.Ananda Murthy and Mrs.Pamela Sunawala held 1 and 150 equity shares of the Company upto 12-09-2014, in the category of public shareholders which have since been cancelled consequent to

the issue of certificate by the Registrar of Companies registering the Order dated 07-08-2014 passed by the Hon'ble High Court of Karnataka, reducing the paid up share capital.

** Mr.K.L.Srihari, Vice-Chairman and Managing Director of the Company passed away on 31-10-2016.

V INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for repayment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i)Principal Amount	966530030	1199548631	0	2166078661
ii)Interest due but not paid				
iii) Interest accrued but not due	10638062	0	0	10638062
Total (i+ii+iii)	977168092	1199548631	0	2176716723
Change in Indebtedness during the financial year				
• Addition	177000957	738494022	0	915494979
• Reduction	937135423	0	0	937135423
Net change	(760134466)	738494022	0	(21640444)
Indebtedness at the end of the financial year				
i)Principal Amount	217033625	1938042653	0	2155076278
ii)Interest due but not paid				
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	217033625	1938042653	0	2155076278

ANNEXURE 'C' 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 9.5 % during the year. However, the Company's aggregate volume of sales recorded a decline in growth of about 6 %. The premium brands of IMFL such as "Peterscot", "Red Knight Select" and "Red Knight Reserve" brands of whisky enjoy a market share of about 2 % in the premium segment. The product distribution in most states is managed through the respective State Beverages Corporation.

Opportunities and threats: The projected GDP growth of about 7.5 % for 2017-18, 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:

Out of the operational revenue of Rs.147.67 crores, the Liquor segment generated a revenue of Rs.143.87 Crores but posted a loss of Rs.2.20 crores. As regards the other Segments, the "Glass" segment did not earn any revenue but incurred an expense of Rs.0.65 Crores which has been booked as loss. The "Systems" segment did not earn any revenue but incurred an expense of Rs.1.70 Crores and the same has been booked as loss and the "Others" segment comprising sale of raw materials etc., earned a revenue of Rs.4.06 Crores, but posted a loss of Rs.0.02 Crores.

Outlook: The IMFL segment of the industry in particular is expected to register a growth of about 9% and your Company has plans to improve sales volumes during 2016-17 by about 8%.

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 has registered a net income of Rs.151.64 Crores and an operating loss of Rs.4.75 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.



RANGARAJU AND ASSOCIATES

CHARTERED ACCOUNTANTS

AUDIT & TAXATION DIVISION

No. 503 & 504, 5th Floor,
Brigade Towers, No. 135/37,
Brigade Road, Bengaluru - 560 025

Ph : 91 80 2224 9077 / 79
Fax : 91 80 2224 9078
e-mail : rangaraju.associates@gmail.com

Auditor's Certificate on Corporate Governance

To,

The Members of Khoday India Limited

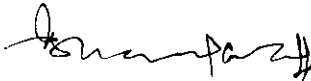
We have examined the compliance of conditions of Corporate Governance by Khoday India Limited ('the Company'), for the year ended 31st March, 2017, as stipulated in the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15 (2) of the Listing Regulations.

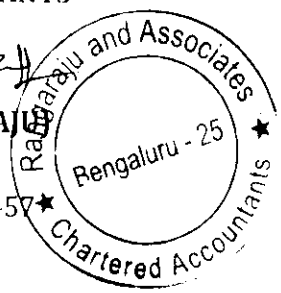
The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

for RANGARAJU AND ASSOCIATES
CHARTERED ACCOUNTANTS


(KRISHNAN RANGARAJU)
PARTNER
Membership No. 018457
Firm No. 006912S



Place : Bangalore
Date : 07.06.2017



RANGARAJU AND ASSOCIATES

CHARTERED ACCOUNTANTS

AUDIT & TAXATION DIVISION

403 & 504, 5th Floor,
Trade Towers, No. 135/37,
Lal Bahadur Shastri Road, Bengaluru - 560 025

Ph : 91 80 2224 8077 & 79
Fax : 91 80 2224 8078
e-mail : rangaraju.associates@gmail.com

INDEPENDENT AUDITOR'S REPORT

To the Members of
Khoday India Limited.

1. Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Khoday India Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, 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.

2. Management's Responsibility for Standalone Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements, on a going concern basis, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing & detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design and implementation of adequate Internal Financial Controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give true and fair view 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 Company's Directors, 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 on the standalone financial statements.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 31st March, 2017;
- b) in the case of the Statement of Profit and Loss, of the loss 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.

5. Emphasis of Matter

We draw attention to Note no. 28 regarding Reduction of Capital under Section 100 of the Companies Act, 1956 confirmed by the Hon'ble High Court of Karnataka and appeal filed by SEBI.

Our opinion is not qualified in respect of this matter.

6. Report on Other Legal and Regulatory Requirements

- I) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure - A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
- II) As required by section 143 (3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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 aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) On the basis of written representations received from the directors as on 31st March, 2017, and taken on record by the Board of Directors, none of the directors are disqualified as on 31st March, 2017, from being appointed as a director under Section 164(2) of the Act.
 - f) With respect to the adequacy of Internal Financial Control over Financial Reporting of the Company and operating effectiveness of such controls, refer to our separate report in "Annexure - B"

- g) With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigation on its financial position in its financial statements vide Note no. 27, Note No. 28 and Note no. 41 to the Financial Statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts that were required to be transferred to the Investor Education and Protection Fund by the Company.
 - iv. The company had provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and the same were in accordance with the books of accounts maintained by the Company.

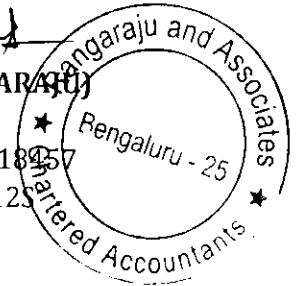
for **RANGARAJU AND ASSOCIATES**
CHARTERED ACCOUNTANTS


(KRISHNAN RANGARAJU)

PARTNER

Membership No. 018957

Firm No. 0069125



Place : Bangalore
Date : 07.06.2017

ANNEXURE - A TO THE AUDITOR'S REPORT

(Referred to in Para 6 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) The title deeds of immovable properties are held in the name of the Company.
- ii. As explained to us, Inventories have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed.
- iii. The Company has not granted any Loans, secured or unsecured to Companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013. As the Company has not granted any loans to Companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013, reporting under Clauses (iii) (a), (iii) (b) and (iii) (c) of the Companies (Auditors Report) order, 2016 does not arise.
- iv. There are no loans, guarantees or security extended by the Company under the provisions of Section 185 and 186 of the Companies Act, 2013. In respect of Investments made, the Company has complied with the provisions of Section 186 of the Companies Act, 2013.
- v. 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 73 to 76 of the Companies Act, 2013 and the rules framed there under. Therefore, reporting under clause (v) of the Companies (Auditor's Report) Order, 2016 does not arise.
- vi. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 148(1) of the Companies Act, 2013
- vii. (a) 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 generally regular in depositing undisputed statutory dues including Income Tax, Service Tax, Employees Provident Fund, Employees State Insurance, Customs Duty, Excise Duty and other statutory dues applicable to it and there are no statutory dues outstanding for a period of more than six months from the date they become payable as on the last day of the financial year.

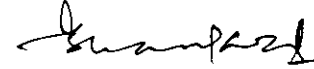
(b) According to the information and explanations given to us and as per records of the Company, the following are the particulars of dues on account of Employees Provident Fund, Income Tax and Entry Tax which have not been deposited/partially deposited under protest on account of dispute before the forum mentioned there against.

Name of the Statute	Nature of Dues & Related Period	Amount of Demand (Rs. In Thousands)	Amount Deposited under Dispute (Rs. In Thousands)	Forum where dispute is pending
Income Tax Act, 1961	Income Tax for the AY 2014-15	549	-	Commissioner of Income Tax (Appeals)
Employees Provident Fund	FY 2006-07 and 2007-08	10,716	8,100	EPF Tribunal, New Delhi
Employees Provident Fund Damages	FY 2001 to FY 2013	4,002	1,002	EPF Appellate Tribunal, Bangalore

- viii. 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.
- ix. The Company has not raised moneys by way of Initial Public Offer or Further Public Offer. 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.
- x. 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.
- xi. According to the information and explanations given to us, no managerial remuneration has been paid to the Directors. However, sitting fees has been paid to certain Directors in accordance with the requisite approvals mandated by the provisions of Section 197 (5) of Companies Act, 2013 read with the Rules made thereunder.
- xii. In our opinion, the Company is not a Nidhi Company. Hence, reporting under Clause (xii) of the Companies (Auditor's Report) Order, 2016 does not arise.
- xiii. According to the information and explanations given to us and in our opinion, the transactions with related parties are in compliance with Section 177 and 188 of the Companies Act, 2013 and the details have been disclosed in the Financial Statements etc., as required by the applicable Accounting Standard.
- xiv. According to the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares. Hence, reporting under Clause (xiv) of the Companies (Auditor's Report) Order, 2016 does not arise.

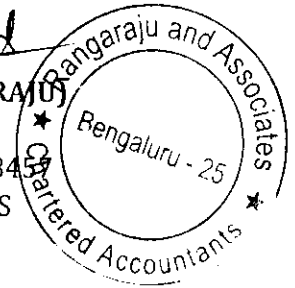
- xv. According to the information and explanations given to us, the Company has not entered into any non-cash transactions with the directors or persons connected with them. Hence, reporting under Clause (xv) of the Companies (Auditor's Report) Order, 2016 does not arise.
- xvi. According to the information and explanation given to us and in our opinion, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

for **RANGARAJU AND ASSOCIATES**
CHARTERED ACCOUNTANTS



(KRISHNAN RANGARAJU)
PARTNER

Membership No. 018454
Firm No. 006912S



Place : Bangalore
Date : 07.06.2017

**ANNEXURE - B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE
STANDALONE FINANCIAL STATEMENTS OF KHODAY INDIA LIMITED**

**Report on the Internal Financial Controls under Section 143 (3) (i) of the Companies
Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Khoday India Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

for **RANGARAJU AND ASSOCIATES**
CHARTERED ACCOUNTANTS


(KRISHNAN RANGARAJU)
PARTNER
Membership No. 018457
Firm No. 006912S



Place : Bangalore

Date : 07.06.2017

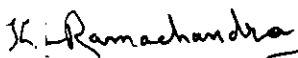
-KHODAY INDIA LIMITED

Balance Sheet as at 31st March 2017

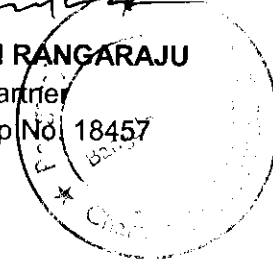
(Amount in Rupees)

PARTICULARS	Note	As at 31.03.2017	As at 31.03.2016
EQUITY AND LIABILITIES			
1. SHAREHOLDERS' FUNDS			
[a] Share Capital	1	336,601,950	336,601,950
[b] Reserves & Surplus	2	(143,444,328)	(57,054,683)
		193,157,622	279,547,267
2. NON - CURRENT LIABILITIES			
[a] Long - Term Borrowings	3	2,081,771,816	1,369,965,962
[b] Other Long - Term Liabilities	4	-	3,081,038
[c] Long - Term Provisions	5	29,834,000	24,975,000
		2,111,605,816	1,398,022,000
3. CURRENT LIABILITIES			
[a] Short -Term Borrowings	6	38,491,146	693,318,622
[b] Trade Payables	7	115,263,801	172,246,179
[c] Other Current Liabilities	8	482,064,552	620,350,643
[d] Short -Term Provisions	9	4,497,167	7,851,080
		640,316,667	1,493,766,523
T O T A L :-		2,945,080,104	3,171,335,790
ASSETS			
1. NON-CURRENT ASSETS			
[a] Fixed Assets	10		
[i] Tangible Assets		405,714,569	447,160,619
[ii] Capital Work in Progress		-	-
[b] Non - Current Investments	11	611,519,183	612,490,589
[c] Long -Term Loans and Advances	12	43,036,837	57,855,384
[d] Other Non-Current Assets	13	11,674,808	11,497,042
		1,071,945,396	1,129,003,634
2. CURRENT ASSETS			
[a] Inventories	14	729,345,692	852,417,472
[b] Trade Receivables	15	473,839,182	448,492,889
[c] Cash & Cash Equivalents	16	450,132,108	444,882,397
[d] Short -Term Loans & Advances	17	194,639,792	259,003,753
[e] Other Current Assets	18	25,177,934	37,535,645
		1,873,134,708	2,042,332,156
T O T A L :-		2,945,080,104	3,171,335,790
Significant Accounting Policies	A		
Notes on Accounts	1 - 42		
The Notes referred to above form an integral part of the Balance Sheet			

For and Behalf of the Board

As per our report of even date
For Rangaraju & Associates
Chartered Accountants
Firm Regn No.6912SK. L. RAMACHANDRA
Chairman
K. L. SWAMY
Executive Director
R. VENKAT SUBRAMANYAN
Company Secretary & CFO
KRISHNAN RANGARAJU
Partner

Membership No. 18457

Place : Bangalore
Date : 07.06.2017

KHODAY INDIA LIMITED**Statement of Profit and Loss for the Year Ended 31.03.2017****(Amount in Rupees)**

PARTICULARS	Note	For the Year Ended 31.03.2017	For the Year Ended 31.03.2016
INCOME :-			
Revenue from Operations	19	1,476,732,784	2,003,983,239
Other Income	20	39,739,932	27,127,645
TOTAL REVENUE:-		1,516,472,715	2,031,110,884
EXPENSES :-			
Cost of raw materials consumed and purchase of goods for resale	21	738,829,247	814,899,120
Changes in inventories of finished goods and Work-In-Progress	22	125,697,723	225,775,665
Employees benefit expenses	23	185,798,231	188,023,655
Finance costs	24	74,922,204	201,785,723
Depreciation	10	67,364,276	76,274,103
Other expenses	25	410,104,200	492,406,641
TOTAL EXPENSES :-		1,602,715,881	1,999,164,906
PROFIT/ (LOSS) BEFORE EXCEPTIONAL / EXTRAORDINARY ITEMS AND TAX		(86,243,166)	31,945,978
Exceptional / Extraordinary Items		-	-
PROFIT / (LOSS) BEFORE TAXATION		(86,243,166)	31,945,978
Provision for Taxation - Current Income Tax		-	-
PROFIT/ (LOSS) AFTER TAXATION		(86,243,166)	31,945,978
Income Tax relating to earlier years - (Net)		146,480	101,291
NET PROFIT/ (LOSS) FOR THE YEAR		(86,389,646)	31,844,687
Balance carried to Balance Sheet		(86,389,646)	31,844,687
Basic and Diluted Earnings per Share (in Rupee) Refer Note - 38		(2.57)	0.95
Significant Accounting Policies	A		
Notes on Accounts	1 - 42		
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 & Associates

Chartered Accountants

Firm Regn No.69125


KRISHNAN RANGARAJU

Partner

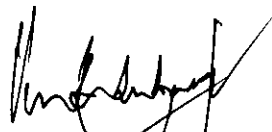
Membership No. 18457



K. L. RAMACHANDRA
Chairman

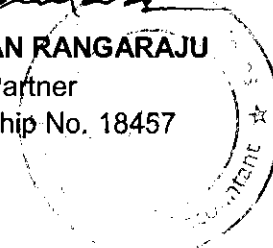


K. L. SWAMY
Executive Director



R. VENKAT SUBRAMANYAN
Company Secretary & CFO

Place : Bangalore
Date : 07.06.2017



KHODAY INDIA LIMITED
Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS			As at 31.03.2017	As at 31.03.2016
NOTE - 1 : SHARE CAPITAL				
AUTHORISED				
4,50,00,000 (PY- 4,50,00,000) Equity Shares of Rs.10/- each			450,000,000	450,000,000
ISSUED , SUBSCRIBED AND PAID UP				
3,36,60,195 (PY - 3,36,60,195) Equity Shares of Rs 10/- each			336,601,950	336,601,950
RECONCILIATION OF NUMBER OF SHARES	As at 31.03.2017 (Rs.)	As at 31.03.2016 (Rs.)		
Balance as at the beginning of the year (Number of Shares: 3,36,60,195; PY-3,36,60,195)	336,601,950	336,601,950		
Balance as at the end of the year (Number of Shares: 3,36,60,195; PY-3,36,60,195)	336,601,950	336,601,950		
TERMS/RIGHTS ATTACHING TO EQUITY SHARES				
<p>The Company has only one class of equity shares having a par value of Rs.10/- per share with voting rights.</p> <p>Pursuant to the Minimum Public Shareholding regulations prescribed under Securities Contracts (Regulation) Act, 1956, SEBI has passed an order dated 24th July, 2014, limiting the voting rights, dividend, bonus shares etc. of the Promoter/Promoter group to 31.38%.</p> <p>On an appeal filed by the Company with Securities Appellate Tribunal (SAT), the Company was directed to file a representation with SEBI on this matter. Subsequently, SEBI disposed off the representation made by the Company without interfering with the order dated 24th July, 2014. The Company is in the process of filing an appeal before the SAT, Mumbai, challenging the order passed by SEBI. However without admitting, the Company has complied with the original order of SEBI dated 24th July, 2014</p>				
DETAILS OF SHAREHOLDERS HOLDING MORE THAN 5% SHARES IN THE				
Name of the Shareholder	Number of Shares and % of			
	As at 31.03.2017	As at 31.03.2016		
K.L. Ramachandra (H.U.F)	58,11,839 (17.27%)	58,11,839 (17.27%)		
K.L. Srihari (H.U.F)	58,15,795 (17.28%)	58,15,795 (17.28%)		
K.L.A. Padmanabhasa (H.U.F)	58,11,580 (17.27%)	58,11,580 (17.27%)		
K.L. Swamy (H.U.F)	58,01,122 (17.23%)	58,01,122 (17.23%)		
Gayathri Holdings Pvt Ltd	23,42,150 (6.96%)	23,42,150 (6.96%)		
As per the records of the Company, including its register of shareholders/members, the above shareholding represents both legal and beneficial ownership of shares. The company has neither bought back nor issued any bonus shares in the last five years.				
Total . . .			336,601,950	336,601,950
NOTE - 2 : RESERVES AND SURPLUS				
CAPITAL RESERVE				
As per last Balance Sheet		{ A }	2,079,550	27,346,980
Less : Transferred to General Reserve on disposal of Asset			-	25,267,430
As at the end of the financial year			2,079,550	2,079,550

KHODAY INDIA LIMITED
Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS		As at 31.03.2017	As at 31.03.2016
CAPITAL REDEMPTION RESERVE:			
As per last Balance Sheet	{ B }	531,340	531,340
REVALUATION RESERVE :			
As per last Balance Sheet		110,759,483	110,759,483
GENERAL RESERVE :			
As per last Balance Sheet	{ C }	258,430,623	233,163,193
Add : Transferred from Capital Reserve on disposal of Asset		-	25,267,430
As at the end of the financial year		258,430,623	258,430,623
SURPLUS IN THE STATEMENT OF PROFIT & LOSS:			
As per last Balance Sheet		(428,855,680)	(460,700,367)
Add: Profit /(Loss) for the year		(86,389,646)	31,844,687
As at the end of the financial year	{ D }	(515,245,325)	(428,855,680)
Total... {A+B+C+D }		(143,444,328)	(57,054,683)
NOTE - 3 : LONG - TERM BORROWINGS:			
SECURED LOANS:			
a.Term Loans:			
i - From Banks		35,693,659	215,860,171
ii - From Others		125,264,011	33,048,657
Less: Current Maturities of long term debt (Refer note 8a)		17,301,769	94,440,974
	{ A }	143,655,901	154,467,854
b.Long Term Maturities of Finance Lease Obligations - Hire Purchase			
Less: Current maturities of Finance Lease Obligations (Refer note 8b)		17,584,809	34,940,642
	{ B }	8,293,882	18,991,165
		9,290,927	15,949,477
UNSECURED:			
a. Loans & Advances from Related Parties	{ C }	1,928,824,988	1,199,548,631
Total... {A+B+C }		2,081,771,816	1,369,965,962
(a) (i) Term Loans from banks include			
SECURED BY	TERMS OF REPAYMENT	DEFAULT (If any)	
(1) Rs NIL (PY: Rs. 210,847 thousands) secured by Pari 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 third parties and Corporate Guarantee of Firms and Trust in which some Directors are Partners and Trustees respectively.	Fully repaid during the financial year	-NIL- (PY: NIL)	
(2) Rs NIL (PY: 5,013 thousands) secured by hypothecation of 25 vehicles in the name of the Company.	Fully repaid during the financial year	-NIL- (PY: NIL)	
(3) Rs 35,694 thousands (PY: NIL) secured by First Charge on Maturation stock and further secured by first charge by way of EMT of Land and Building of the Company , and further secured by personal guarantee of three Directors of the Company.	Repayable in 36 instalments from March 2019 along with interest at 14.65% p.a (BR + 5.80% + 0.40%)	-NIL- (PY: NIL)	

KHODAY INDIA LIMITED

Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS			As at 31.03.2017	As at 31.03.2016
(a) (i.) Term Loans from Others include				
(1) Rs 25,281 thousands (PY: 31,430 thousands) secured by Immovable property in the name of 3 Directors of the Company.	Repayable in 60 monthly instalments commencing from September 2015 along with interest at the rate of 14.50%	-NIL- (PY: NIL)		
(2) Rs. NIL (PY: 1,619) secured by hypothecation of Equipment of the Company.	Fully repaid during the financial year	-NIL- (PY: NIL)		
(3) Rs 99,983 thousands (PY: NIL) secured by way of mortgage of immovable property which is co owned by some of the Directors and Five Shareholders and , further secured by personal guarantee of some Directors & Seven third parties.	Repayable in 84 monthly instalments from March 2017 along with interest at the rate of 12.00% per			
(b) Long Term Maturities of Finance Lease Obligations include				
Rs. 17,585 thousands (PY: Rs.34,941 thousands) secured by hypothecation of Vehicles of the company .	Payments of Equated Monthly Instalments from the month subsequent to taking the lease at interest ranging from 10.50% to 17% per annum.	-NIL- (PY: NIL)		
a. Unsecured Loans & Advances from Related parties				
PARTICULARS	TERMS OF REPAYMENT	DEFAULT (if any)		
Rs. 19,28,825 thousands (PY: Rs. 11,99,549 thousands) taken from Directors	Repayable after twelve months from April 2017 without interest.	-NIL- (PY: NIL)		
NOTE - 4 : OTHER LONG -TERM LIABILITIES:				
a.Trade payables*			-	3,081,038
T o t a l . . .			-	3,081,038
*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 & Loss for the year ended 31.03.2017

PARTICULARS	As at 31.03.2017	As at 31.03.2016
NOTE - 5 : LONG -TERM PROVISIONS:		
a.Provisions for Employee Benefits	29,834,000	24,975,000
Total...	29,834,000	24,975,000
NOTE - 6 : SHORT -TERM BORROWINGS:		
SECURED LOANS:		
a. Loans repayable on demand		
From Banks		
- Overdraft \ Cash Credit	38,491,146	693,318,622
Total...	38,491,146	693,318,622
a.Loans Repayable on demand (Overdraft \ Cash Credit) from Banks is secured by		
SECURED BY	DEFAULT (if any)	
(1) First charge by way of Govt Supply Bills and first exclusive charges on entire book debts of the Company	ROI - MCLR +2.90%(-)0.75% NIL- (P Year : NIL)	
(2) Equitable mortgage of property of the Firm, in which some of the Directors are partners.		
(3) Further secured by the Immovable property of some of the Directors and their relatives.		
(4) Personal guarantee of some of the Directors, One third party and a Firm in which some of the directors are partners.		
NOTE - 7 : TRADE PAYABLES:		
a.Micro, Small and Medium Enterprises	-	-
b.Others	115,263,801	172,246,179
Total...	115,263,801	172,246,179
NOTE - 8 : OTHER CURRENT LIABILITIES:		
a.Current maturities of Long Term Debt (Refer Note 3a)	17,301,769	94,440,974
b.Current maturities of Finance Lease Obligations (Refer Note 3b)	8,293,882	18,991,165
c.Employee Benefits payable	49,338,040	51,911,008
d.Trade Deposits and Advance from Customers	101,239,485	136,631,502
e.Statutory Dues payable	11,063,227	23,547,844
f.Liabilities towards Equity Share holders - Capital Reduction - Refer Note No 28	294,828,150	294,828,150
Total...	482,064,552	620,350,643

KHODAY INDIA LIMITED
Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS				As at 31.03.2017	As at 31.03.2016
NOTE - 9 : SHORT -TERM PROVISIONS:					
a. For Excise Duty				4,497,167	7,851,080
Total ...				4,497,167	7,851,080
NOTE - 11 :NON-CURRENT INVESTMENTS					
<i>(Long - Term Investments)</i>					
A. TRADE INVESTMENTS					
i. EQUITY INSTRUMENTS (QUOTED)					
		Number of Shares			
Particulars	F V of each share	2016-17	2015-16		
Excel 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
Sub Total ...			{ A }	10,249	10,249
ii. EQUITY INSTRUMENTS (UNQUOTED)					
Particulars	F V of each share	2016-17	2015-16		
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	125,000	125,000
United Glass Bottles Mfg Co Ltd	10	13650	13650	137,000	137,000
Khocay Industries Pvt Ltd	1000	480	480	480,000	480,000
Panchakala Malt Limited	10	100	100	1,000	1,000
Sub Total ...			{ B }	757,000	757,000
iii. INVESTMENT IN SUBSIDIARIES (UNQUOTED)					
Particulars	F V of each share	2016-17	2015-16		
Khocay Properties Pvt Ltd	10	50000	50000	500,000	500,000
Total			{ C }	500,000	500,000
B. NON - TRADE INVESTMENTS					
i. EQUITY INSTRUMENTS (QUOTED)					
Particulars	F V of each share	2016-17	2015-16		
Gulf Oil Corporation Limited	2	6317	6317	56,860	56,860
Gulf Oil Lubricants India Limited	2	6317	6317	56,860	56,860
Sub Total ...			{ D }	113,720	113,720
ii. EQUITY INSTRUMENTS (UNQUOTED)					
Particulars	F V of each share	2016-17	2015-16		
Grav ss 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
Meta Box India Limited	10	365	365	4,000	4,000
Modern Syntex (India) Ltd	10	400	400	12,000	12,000
Sub Total ...			{ E }	81,000	81,000

KHODAY INDIA LIMITED
Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS					As at 31.03.2017	As at 31.03.2016	
iii. INVESTMENT IN MUTUAL FUNDS (UNQUOTED)							
Canara Robeco - Daily Dividend	10		11,933	11,329	122,439	116,241	
Canara Robeco - Regular Dividend	10		3,627	3,627	75,240	75,240	
Sub Total					{ F }	197,679	191,481
iv. INVESTMENT IN PARTNERSHIP FIRM							
Lakshmi Estate					609,764,681	610,742,286	
Name of the Partners	Share of Partners		Total Capital (Rs.In thousands)				
	2016-17	2015-16	2016-17	2015-16			
Khoday India Limited	75.00%	75.00%	609,765	610,742			
K.L. Srihari - HUF	6.25%	6.25%	50,039	50,120			
K.L. Swamy - HUF	6.25%	6.25%	52,964	53,046			
K.L. Ramachandra - HUF	6.25%	6.25%	50,670	50,120			
K.L.A. Padmanabhasa - HUF	6.25%	6.25%	50,039	50,120			
Total					{ G }	609,764,681	610,742,286
v. OTHERS							
Investment in Government Securities					152,850	152,850	
Total					{ H }	152,850	152,850
TOTAL OF NON-CURRENT INVESTMENTS					{ A to H }	611,577,179	612,548,585
Less: Aggregate Provision for Diminution in the Value of Non-Curren					57,996	57,996	
TOTAL NON - CURRENT INVESTMENTS (Net of Provision)					611,519,183	612,490,589	
AGGREGATE AMOUNT OF QUOTED INVESTMENTS					123,969	123,969	
AGGREGATE MARKET VALUE OF QUOTED INVESTMENTS					7,614,518	4,989,414	
AGGREGATE AMOUNT OF UNQUOTED INVESTMENTS					611,453,210	612,424,617	
NOTE - 12:LONG - TERM LOANS AND ADVANCES							
(Unsecured & Considered Good)							
a.Capital Advances					9,564,582	15,572,698	
b.Security Deposits					17,375,710	17,427,726	
c.Advance Income Tax \TDS					7,353,953	16,112,368	
d.Other Loans and Advances - Trade					8,742,592	8,742,592	
Total...					43,036,837	57,855,384	
NOTE - 13:OTHER NON-CURRENT ASSETS							
(Unsecured & Considered Good)							
a.Earnest Money Deposits					11,674,808	11,497,042	
Total..					11,674,808	11,497,042	
NOTE - 14 :INVENTORIES							
Valued at lower of Cost and NRV							
a.Raw Materials					140,892,578	140,487,592	
b.Work-in-Progress					518,235,789	626,942,037	
c.Finished Goods					46,604,169	63,595,644	
d.Stores, Spares ,Packing Material & Fuel					23,613,155	21,392,199	
Total..					729,345,692	852,417,472	

KHODAY INDIA LIMITED**Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017**

PARTICULARS	As at 31.03.2017	As at 31.03.2016
<u>NOTE - 15 : TRADE RECEIVABLES</u>		
(Unsecured & Considered Good)		
a. Outstanding for a period exceeding six months from due date	58,987,125	59,984,702
b. Others	414,852,057	388,508,187
T o t a l . .	473,839,182	448,492,889
<u>NOTE - 16: CASH AND CASH EQUIVALENTS</u>		
a. Balance with Banks		
- In Current Accounts	25,555,198	85,532,841
- In Deposit Accounts	50,000,000	-
- In Deposit Accounts for Margin Money	46,978,923	8,573,378
- In Deposit Accounts for Capital Reduction - Refer Note No 28	295,000,000	295,000,000
b. Cheques and Drafts on Hand	2,500,000	165,000
c. Cash on hand	30,097,988	55,611,178
T o t a l . .	450,132,108	444,882,397
<u>NOTE - 17: SHORT - TERM LOANS AND ADVANCES</u>		
(Unsecured & Considered Good)		
a. Lease Deposit with Related Party*	88,626,000	123,626,000
b. Loans and Advances to Employees	1,664,975	1,465,319
c. Trade Advances	57,909,239	36,340,960
d. Balances with Govt. Authorities	46,439,578	97,571,474
* Lease Deposit with a firm in which some of the Directors are partners.		
T o t a l . .	194,639,792	259,003,753
<u>NOTE - 18: OTHER CURRENT ASSETS</u>		
a. Interest Accrued on Fixed Deposits	10,827,467	17,384,944
b. Prepaid Expenses	14,350,467	20,150,701
T o t a l . .	25,177,934	37,535,645
<u>NOTE - 19 : REVENUE FROM OPERATIONS</u>		
Sale of IML	5,131,040,561	5,207,593,627
Realty Income	-	407,876,400
Others*	37,994,085	31,146,373
	5,169,034,646	5,646,616,400
Less: Excise Duty	3,692,301,863	3,642,633,161
*Includes sale of spirits and flavouring materials.		
T o t a l . .	1,476,732,784	2,003,983,239
<u>NOTE - 20 : OTHER INCOME</u>		
Interest Income from Fixed deposits	25,032,194	16,431,602
Dividend Income from Non - Current investments	56,853	53,925
Dividend Income from Mutual Fund	6,198	6,077
Royalty and Other Income	2,283,444	1,050,628
Profit on Redemption of Mutual Fund	-	275,240
Sundry Credit balances Written Back	12,361,242	9,310,174
T o t a l . .	39,739,932	27,127,645

KHODAY INDIA LIMITED**Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017**

PARTICULARS	As at 31.03.2017	As at 31.03.2016
<u>NOTE - 21 : COST OF RAW MATERIALS CONSUMED AND GOODS PURCHASED FOR RESALE</u>		
OPENING STOCK		
Raw Materials and goods purchased for resale	140,487,592	132,839,044
Power and Fuel	641,801	674,167
Stores, Spares and Packing Materials	20,750,398	22,827,443
Total.. {A}	161,879,791	156,340,654
ADD: PURCHASES		
Raw Materials	643,390,799	704,828,512
Power and Fuel	17,994,719	27,186,256
Stores, Spares and Packing Materials	80,069,672	88,423,488
Total.. {B}	741,455,190	820,438,256
LESS: CLOSING STOCK		
Raw Materials	140,892,578	140,487,592
Power and Fuel	181,306	641,801
Stores, Spares and Packing Materials	23,431,849	20,750,398
Total.. {C}	164,505,734	161,879,791
<u>Consumption of Raw Materials and Purchased for resale.</u>		
Raw Materials and goods purchased for resale	642,985,813	697,179,964
Power and Fuel	18,455,214	27,218,623
Stores, Spares and Packing Materials	77,388,221	90,500,533
Cost of Raw Material Consumed and goods purchased for resale (A + B - C)	738,829,247	814,899,120
<u>NOTE - 22 : CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS</u>		
CLOSING STOCK :-		
Finished Goods	46,604,169	63,595,644
Work-In-Progress	518,235,789	626,942,037
Total.. {A}	564,839,958	690,537,681
OPENING STOCK :-		
Finished Goods	63,595,644	35,492,473
Work-In-Progress	626,942,037	855,520,873
Other stock in trade - Land	-	25,300,000
Total.. {B}	690,537,681	916,313,346
Increase / (Decrease) in Stock (A - B)	(125,697,723)	(225,775,665)
<u>NOTE - 23 : EMPLOYEES BENEFITS</u>		
Salaries, Wages, Gratuity, Bonus and leave encashment	154,452,445	156,157,332
Staff Welfare Expenses	21,552,150	22,913,755
Contribution to P.F. and Other Funds	9,793,636	8,952,568
Total..	185,798,231	188,023,655
<u>NOTE - 24 : FINANCE COST</u>		
Interest		
Or Term Loan	12,438,935	47,922,461
Or Others	59,152,546	151,449,727
Bank Charges	3,330,723	2,413,536
Total..	74,922,204	201,785,723

KHODAY INDIA LIMITED**Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017**

PARTICULARS	As at 31.03.2017	As at 31.03.2016
NOTE - 25 : OTHER EXPENSES		
Manufacturing Expenses:		
Power & Lighting Charges	24,841,944	28,168,406
Repairs & Maintenance :		
- Buildings	7,218,283	6,899,357
- Plant & Machinery	19,444,241	16,802,735
- Electrical	867,461	3,064,299
Total	{ A }	54,934,797
Administrative and Selling Expenses:		
Rent	12,951,039	13,916,061
Rates & Taxes	46,790,612	47,783,630
Insurance	2,356,015	1,966,406
Repairs & Maintenance :		
- Vehicles	16,902,960	18,339,991
- Others	4,407,281	5,295,226
Freight, Octroi & Storage Expenses	55,926,918	63,878,828
Lease Rent	13,788,034	14,158,245
Travelling & Conveyance	22,441,367	30,528,309
Printing & Stationery	2,076,838	2,377,512
Telephone ,Postage & Courier Charges	5,876,773	6,709,791
Books & Periodicals	416,726	160,255
Security Service Charges	11,775,532	8,855,309
Legal & Professional Charges	54,914,676	75,332,217
Directors Sitting Fees	80,500	85,750
Payments to Auditors		
- As Auditor	575,000	572,500
Cost Audit Fees	-	22,900
Bad Debts written off	832,479	3,256,685
Commission & Discount on Sales	18,735,302	39,100,499
Sales Promotion	40,985,804	60,010,138
Advertisement	17,757,811	4,754,922
Service Charges	21,523,942	7,939,425
Irrecoverable advances written off	278,107	24,102,787
Miscellaneous Expenses	5,222,131	6,941,619
Share of Loss in Partnership Firm	977,605	1,029,673
Foreign Exchange fluctation (Net)	138,415	353,167
Loss on sale of asset	406	-
Total	{ B }	437,471,844
Total..	{ A+ B }	410,104,200

FIXED ASSETS SCHEDULE AS ON 31 - 03 - 2017

In Rupees

S/NO	PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK	
		AS ON 01.04.2016	ADDITIONS	SALES / TRANSFER	AS ON 31.03.2017	AS ON 01.04.2016	FOR THE YEAR	WITHDRAWN	AS ON 31.03.2017	AS ON 31.03.2016
1	LAND	24,105,210			24,105,210				24,105,210	24,105,210
2	BUILDINGS	460,558,308			460,558,308	254,949,221	18,445,191		273,394,412	205,609,087
3	PLANT & MACHINERY	706,684,415	9,888,083		716,572,498	572,065,252	25,019,309		597,084,562	134,619,163
4	FURNITURE & FIXTURES OTHER OFFICE EQUIPMENTS	408,297,753	920,026	267,334	408,950,445	383,061,690	3,515,236	243,428	386,333,498	25,236,063
5	VEHICLES	234,789,795	15,134,023		249,923,818	177,198,700	20,384,539		197,583,239	57,591,095
	Total	1,834,435,481	25,942,132	267,334	1,860,110,279	1,387,274,863	67,364,276	243,428	1,454,395,711	447,160,618
	Previous Year	1,803,889,875	30,545,606	-	1,834,435,481	1,311,000,760	76,274,103	-	1,387,274,863	492,889,115

KHODAY INDIA LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017

Particulars	[Rupees in thousands]	
	2016-17	2015-16
A. Cash flow from Operating Activities		
Net Profit Before Tax	(86,243)	31,946
Adjusted for:		
Depreciation	67,364	76,274
Interest Income	(25,032)	(16,432)
Dividend Income	(63)	(60)
Profit on redemption of Mutual Fund	-	(275)
Interest & Bank Charges	74,922	201,786
Sundry Credit balance written back	(12,361)	(9,310)
Irrecoverable advances and Bad debts written off	1,111	27,359
Loss from Lakshmi Estate (Partnership Firm)	978	1,030
Operating Profit Before Working Capital Changes	20,675	312,318
Adjusted for:		
Trade and other Receivables	67,289	33,855
Inventories	123,072	220,237
Trade and other payables	(96,647)	29,121
Cash Generated from operations	114,389	595,530
Net prior year adjustments	-	-
Taxes paid (including TDS receivable)	(2,530)	(5,832)
Net Cash from / (Used in) Operating Activities [A]	111,859	589,698
B. Cash Flow from Investing activities		
Purchase of Fixed Assets	(25,942)	(30,546)
Sale of Fixed Assets	24	
Movement in Investment	(6)	1,719
Interest Income (Gross)	25,032	16,432
Dividend Income	63	60
Profit on redemption of Mutual Fund	-	275
Net Cash from / (Used in) Investing Activities [B]	(829)	(12,060)
C. Cash flow from Financial Activities		
Proceeds from Borrowings	906,277	209,685
Repayment of Borrowings	(937,135)	(195,536)
Interest & Bank Charges	(74,922)	(201,786)
Net Cash flow from/(Used in) Financing Activities [C]	(105,780)	(187,636)
Net Cash Flows during the year {A+B+C}	5,250	390,002
Cash & Cash Equivalents(Opening Balance)	444,882	54,879
Cash & Cash Equivalents (Closing Balance)	450,132	444,882

Significant Accounting Policies and Notes on Financial Statements

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, 2013.

(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.

Significant Accounting Policies and Notes on Financial Statements

(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 item:**

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 based on the useful life prescribed under Schedule II to the Companies Act 2013, on written down value method except for Plant & Machinery and Building of Distillery Division acquired prior to 31st March 1999 and the assets of Paper Division where the depreciation has been provided on straight line basis. The useful life of Oakwood Barrels has been taken as 14 years, 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.

Certain Fixed Asset were been revalued during the year 1998-99. Consequent to provisions contained in Schedule II to the Companies Act, 2013 read with "Applicable Guide on the Provisions of Schedule II to the Companies Act, 2013" issued by the ICAI, the depreciation amount attributable to the revalued portion of Fixed Assets have been charged to the Statement of Profit & Loss Account and not drawn from the Revaluation Reserve.

(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.
- Incomes 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.

Significant Accounting Policies and Notes on Financial Statements

In case of revaluation of Tangible Assets, the difference between the written up value of the Asset revalued and the carrying amount in the books are transferred to Revaluation Reserve.

(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:

- Non Current 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, Systems and Realty 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.

Significant Accounting Policies and Notes on Financial Statements**(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, 1961. 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.

Significant Accounting Policies and Notes on Financial Statements

(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.

Significant Accounting Policies and Notes on Financial Statements**Rs in Thousands**

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	2016-17	2015-16
1.	Claims against the company not acknowledged as debts *	20,928	16,916
2.	Disputed Income Tax not provided for	549	7,752

* Out of the above, Rs 9,102 (PY Rs 8,100) has been paid under dispute before the concerned forums.

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 Public shareholders to the extent of 3,931,042 shares at Rs 75/- per share amounting to Rs 294,828 was passed at the AGM held on 30th December 2013. The Hon'ble Karnataka High Court, on 7th August, 2014 passed an order confirming the special resolution passed by the Company in the said AGM. A certificate of reduction of Capital was issued by the said ROC dated 12th September, 2014 and the MCA records have been updated, incorporating the Reduction of Capital.

The Company has made requisite entries in the books of accounts giving effect to the Reduction of Capital by reducing its Share Capital, Reserves/Securities Premium and creating a liability towards the equity share holders under the head "Liability to Equity Share Holders" and a fixed deposit to the tune of Rs 295,000 has been placed with Punjab National Bank for settlement of this liability.

An application filed by SEBI for impleadment in the proceedings and recalling the order of Reduction of Capital was rejected by the Hon'ble High Court of Karnataka. SEBI has filed an appeal before the divisional bench of the High Court of Karnataka and the matter is pending before the concerned forum.

The Company has made consistent and repeated attempts to implement the Court's Order by fixing the record date first on 29th September, 2014 and subsequently on 10th October, 2014, 7th December, 2014, 7th April, 2015, 22nd June, 2015 and 13th October, 2015 for the purpose of drawing up the list of Public Shareholders entitled to payment in respect of the shares so cancelled, but the same has not been acted upon by BSE Limited.

The Company has, in parallel, filed an application before the Hon'ble High Court of Karnataka requesting the Court to issue directions to the Bombay Stock Exchange to confirm the 'Record Date' set by the Company and consequently issue necessary instructions to the NSDL and CDSL. The matter is pending before the Hon'ble High Court of Karnataka.

Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

29 Details of Specified Bank Notes held

Particulars	Specified Bank Notes	Other Denomination Notes	Total
Closing Cash in hand as on 08.11.2016	30,842	30,770	61,612
(+) Permitted Receipts	-	2,182	2,182
(-) Permitted Payments	-	3,865	3,865
(-) Amount Deposited in Banks	30,842	-	30,842
Closing Cash in hand as on 30.12.2016	-	29,087	29,087

30 CIF Value Of Imports

Particulars	2016-17	2015-16
Raw Materials	23,087	32,836

31 Consumption of Imported and Indigenous Materials And Components

Particulars	2016-17		2015-16	
	In %	In Value	In %	In Value
Imported	2.72%	20,132	6.14%	50,056
Indigenous	97.28%	718,697	93.86%	764,843
Total Materials Consumed		738,829		814,899

32 Expenditure In Foreign Currency

Particulars	2016-17	2015-16
For Travel	-	274
For Consulting Services	9,583	11,380
For Others	500	826

33 Earnings In Foreign Currency

Particulars	2016-17	2015-16
FOB Value of Exports	994	1,244

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	2016-17	2015-16
Employer's Contribution to Provident Fund	7,356	7,452

Significant Accounting Policies and Notes on Financial Statements
Rs in Thousands
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(R), 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	2016-17		2015-16	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Present Value of defined benefit obligation	23,471	1,505	31,994	1,968
Interest Cost	1,878	120	2,559	157
Current service cost	939	60	640	39
Add / (Less)				
Benefits Paid	(1,360)	(493)	(8,811)	(827)
Actuarial loss/ (gain) on obligations	3,175	539	(2,912)	167
Present value of defined benefit obligation	28,102	1,731	23,471	1,505

B. Amount recognized in Balance Sheet

Particulars	2016-17		2015-16	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Present value of defined benefit obligation	28,102	1,731	23,471	1,505
Add / (Less)				
Unrecognized past service cost	-	-	-	-
Unrecognized transitional liability	-	-	-	-
Unfunded net liability / (asset) recognized in Balance Sheet	28,102	1,731	23,471	1,505
Present value of defined benefit obligation	28,102	1,731	23,471	1,505
Breakup of accrued liability				
Non Current Liability	28,102	1,731	23,471	1,505

Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

C. Expenses recognized in the Profit & Loss Statement

Particulars	2016-17		2015-16	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	(Unfunded)	(Unfunded)	(Unfunded)	(Unfunded)
Current service cost	939	60	640	39
Interest cost	1,878	120	2,559	157
Add / (Less)				
Net Actuarial loss/(gain) recognized in the year	3,175	539	(2,912)	167
Net benefit expense	5,991	719	287	363

D. Principal Actuarial assumption at the Balance sheet date

Particulars	2016-17		2015-16	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	(Unfunded)	(Unfunded)	(Unfunded)	(Unfunded)
Discount rate	8%	7%	8%	8%
Rate of escalation in salary	4%	4%	4%	4%
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	13	13	14	14
Method used	PUCM	PUCM	PUCM	PUCM
Date of Actuarial Report	8 th May 2017	8 th May 2017	3 rd May 2016	3 rd May 2016

35 Segment Reporting is presented in Consolidated Financial Statements in terms of Accounting Standard 17 on Segment Reporting.

36 Related Party Disclosures

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

Wholly owned Subsidiary

1. Khoday Properties Private Limited

Key Management Personnel

1. Late K L Srihari (Managing Director) upto 31st October, 2016
2. K L A Padmanabhasa (Joint Managing Director)
3. K L Swamy (Executive Director)

Relatives of Key Management Personnel

1. K L Ramachandra (Non Executive Chairman)
2. K R Nithyanand (Non Executive Director)
3. K H Gurunath (Non Executive Director)
4. K S Giridhar (Non Executive Director)
5. K H Radheshyam
6. K H Srinivas
7. K P Ghanshyam
8. K R Dayanand
9. K S Brijmohan

Significant Accounting Policies and Notes on Financial Statements**Rs in Thousands****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 Padmanabhasa - HUF
3. K L Srihari - HUF
4. K L Swamy - HUF
5. Acqua Borewells Private Limited
6. Blendwell bottlers Private Limited
7. Cassanova Distilleries Private Limited
8. Coconut Groves & Holiday Resorts Pvt Limited
9. Daatha 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. Hercules Construction Company Pvt Limited
17. Honeywell Business Private Limited
18. Ingo Property Developers Private Limited
19. Jay Pee Shoes Private Limited
20. K Lakshmansa & Company
21. Kankapura Trading Private Limited
22. Khoday Brothers
23. Khodays Breweries Limited
24. Khoday Business Private Limited
25. Khoday Control Systems Private Limited
26. Khoday Eshwarsa and Sons
27. Khoday Hotels Private Limited
28. Khoday Industires (Kuppam) Private Limited
29. Khoday Industries (Hyderabad) Private Limited
30. Khoday Industries Pvt Limited
31. Khodays Brothers International Limited
32. Khodays Technologies Limited
33. Kilara Power Limited
34. L.K Polyfibre Limited
35. L.K Power Corporation Limited
36. L.K Trust
37. Lakshmi Estate
38. Macdonald Tradings Private Limited
39. Mc Donald Distilleries Private Limited
40. National Distilleries Limited
41. North India Distillers Private Limited
42. Panchaganga Tradings Private Limited
43. Panchakalyani Tradings Private Limited
44. Parsan Holiday Resorts Private Limited
45. Peterscot Tradings Private Limited

Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

46. Ram Mohan & Company Private Limited
47. Ransh Coffee Estate
48. River Resorts Limited
49. Saraswathi Estate
50. Spring Borewells Company Private Limited
51. Sri Gurunath Tradings Private Limited
52. Sri Narmada Distilleries Private Limited
53. Surya Watch Industries Private Limited
54. The Distillers Company Private Limited
55. Thiruvonam Wines
56. Regit Estates Limited (formerly Tiger Breweries Limited)
57. Trishul Wineries & Distilleries Private Limited
58. United Glass Bottles Manufacturing Company Limited
59. Universal Business Concepts Private Limited
60. Universal Trading Company
61. Vaishnavi Communications Private Limited
62. Vindhya Distilleries
63. Vyjayanthi Tradings Private Limited
64. Wesco Power Generation Limited
65. West India Distilleries Private Limited

KHODAY INDIA LIMITED

Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

Particulars	2016-17				2015-16			
	Wholly Owned 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	Wholly Owned 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
A. Income/Liabilities								
Sales	-	-	-	7,730	-	-	-	13,705
Rent received	-	-	-	600	-	-	-	450
B. Expenses/Assets								
Purchase of Goods / Services	-	-	-	28	-	-	-	354
Lease/Rent Paid	-	-	720	2,425	-	-	720	2,584
Traveling, Sales promotion and others	-	-	-	362	-	-	-	1,093
Lease Deposit Refund	-	-	-	35,000	-	-	-	-
C. Loans Taken								
From Directors	-	1,417,125	-	-	-	-	-	-
D. Loans Repaid/Transferred								
To Directors	-	687,849	-	-	-	-	-	-
E. Closing Balance								
Unsecured Loan	-	1,928,825(Cr)	-	-	-	-	-	-
Lease Deposit	-	-	-	88,626 (Dr)	-	-	-	123,626 (Dr)
Investment in								
Subsidiary	500	-	-	-	500	-	-	-
Partnership firm	-	-	-	609,765	-	-	-	610,742
Companies	-	-	-	480	-	-	-	480
Others								
Guarantee and Collateral obtained	-	25,281	-	38,491	-	31,430	-	904,166

KHODAY INDIA LIMITED

Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

K L Ramachandra - H.U.F	-	-	-	90	-	-	-	90	-	90
K L Srihari - H.U.F	-	-	-	90	-	-	-	90	-	90
K L Swamy - H.U.F	-	-	-	90	-	-	-	90	-	90
K R Dayananda	-	-	-	90	-	-	-	90	-	90
K H Radheshyam	-	-	-	90	-	-	-	90	-	90
K H Srinivas	-	-	-	90	-	-	-	90	-	90
K P Ghanshyam	-	-	-	90	-	-	-	90	-	90
K S Brijmohan	-	-	-	90	-	-	-	90	-	90
Sub-total	-	-	-	720	-	-	-	2,425	-	720
Traveling, Sales promotion and others										
- Ram Mohan & Company Pvt Ltd	-	-	-	362	-	-	-	362	-	1,093
Sub-total	-	-	-	362	-	-	-	362	-	1,093
Lease Deposit refund										
- Khoday Eshwarsa and Sons	-	-	-	35,000	-	-	-	35,000	-	-
Sub-total	-	-	-	35,000	-	-	-	35,000	-	-
C. Loans Taken										
- K L A Padmanabhasa		180,524							59,973	
- K L Ramachandra		180,040							59,872	
- K L Srihari		179,983							116,597	
- K L Swamy		392,167							183,610	
- K H Gurunath		484,411							-	
Sub-total		1,417,125							420,052	
D. Loans Repaid /Transferred										
- K L A Padmanabhasa		2,567							180	
- K L Ramachandra		2,528							50	
- K L Srihari		482,893							92,585	
- K L Swamy		198,951							192,130	

KHODAY INDIA LIMITED

Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

- K H Gurunath		910								
Sub-total		687,849							284,945	
E. Closing Balance										
Unsecured Loan										
K L A	-	493,278 (Cr)	-	-	-	-	-	-	315,320 (Cr)	-
Padmanabhasa	-	489,071 (Cr)	-	-	-	-	-	-	311,559 (Cr)	-
K L Ramachandra	-	-	-	-	-	-	-	-	302,910 (Cr)	-
K L Srihari	-	-	-	-	-	-	-	-	269,759 (Cr)	-
K L Swamy	-	462,975 (Cr)	-	-	-	-	-	-	-	-
K H Gurunath	-	483,501 (Cr)	-	-	-	-	-	-	-	-
Sub-Total		1,928,825							1,199,548	
Lease Deposit - K E & Sons	-	-	-	-	88,626 (Dr)	-	-	-	-	123,626 (Dr)
Investment in										
Wholly owned Subsidiary - Khoday Properties Pvt Ltd.	500	-	-	-	-	500	-	-	-	-
Partnership firm - Lakshmi Estate	-	-	-	-	609,765	-	-	-	-	610,742
Companies - Khoday Industries Private Limited	-	-	-	-	480	-	-	-	-	480
Others										
Guarantee and Collateral obtained*	-	25,281			38,491	-	-	-	31,430	904,166

*. 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

Rs 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	2016-17	2015-16
Operating Lease:		
Less than 1 year	13,743	13,738
Later than 1 year & not later than 5 years	NIL	NIL
Later than 5 years	NIL	NIL
Finance Lease:		
Less than 1 year	8,293	18,991
Later than 1 year & not later than 5 years	9,290	15,949
Later than 5 years	NIL	NIL

38 Earnings Per Share

Particulars		2016-17	2015-16
Profit/(Loss) after Taxation as per Profit and Loss Account	A	(86,390)	31,845
Weighted Average Number of Equity Shares (In Nos in '000)	B	33,660	33,660
Earnings per Share - Basic (in Rs.) {A/B}		(2.57)	0.95
Earnings per Share - Diluted (in Rs.) {A/B}		(2.57)	0.95
Face Value per Share (in Rs.)		10.00	10.00

The above calculated EPS has been made out based on the reduced Capital pursuant to the scheme of Capital Reduction.

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	2016-17	2015-16
Deferred Tax - Liabilities:		
On Depreciation differences	-	-
On Prepaid license fee	15,167	33,495
TOTAL A	15,167	33,495
Deferred Tax - Assets		
On Depreciation differences	24,056	18,813
On Employees Benefits	21,673	21,074
On unabsorbed tax losses and depreciation	131,846	122,510
TOTAL B	177,575	162,397
Net Deferred Tax Liabilities / (Assets) [A - B]	(162,408)	(128,902)

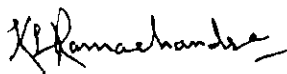
Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

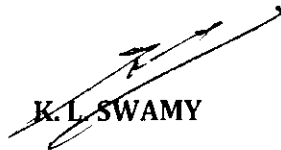
40 Payments made to Directors

Particulars	2016-17	2015-16
Directors' sitting fees	80	85
Managerial Remuneration	*	*
* Remuneration to Managerial Personnel has not been provided		

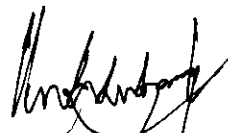
- 41** Fixed Assets includes a building with a WDV of Rs. 9,353 (Previous Year: Rs. 9,829) the title of which is under dispute before the Debt Recovery Tribunal and on which an attachment order has been served by the Employees Provident Fund Organization (EPFO). Pending resolution of these issues, the company continues to reckon the Building as an asset in its financial statement.
- 42** Certain confirmation of balances for Trade Payables, Trade Deposits and Advances, Capital Advances, Imprest Cash, 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**As per our report of even date
for Rangaraju & Associates**Chartered Accountants
(Firm Regn No: 6912S)**K. L. RAMACHANDRA**

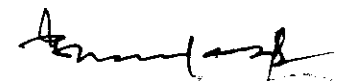
Chairman

**K. L. SWAMY**

Executive Director

**R. VENKAT
SUBRAMANYAN**

Company Secretary & CFO

**KRISHNAN RANGARAJU**

Partner

Membership No. 18457

Place: Bangalore

Date: 07.06.2017



RANGARAJU AND ASSOCIATES

CHARTERED ACCOUNTANTS

AUDIT & TAXATION DIVISION

No. 503 & 504, 5th Floor,
Brigade Towers, No. 135/37,
Brigade Road, Bengaluru - 560 025

Ph : 91 80 2224 9077 / 79
Fax : 91 80 2224 9078
e-mail : rangaraju.associates@gmail.com

INDEPENDENT AUDITOR'S REPORT

To the Members of

Khoday India Limited.

1. Report on the Consolidated Financial Statements

We have audited the attached Consolidated Financial Statements of **Khoday India Limited** (hereinafter referred to as "the Holding Company") and its Subsidiary Khoday Properties Private Limited (collectively referred to hereinafter as "the Group") comprising of the Consolidated Balance Sheet as at 31st March 2017, the Consolidated Statement of Profit and Loss, Consolidated Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as the "Consolidated Financial Statements").

2. Management's Responsibility on the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial control system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2017;
- b) in the case of the Consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

5. Emphasis of Matter

We draw attention to Note no. 28 to the Consolidated Financial Statements regarding Reduction of Capital of the Holding Company under Section 100 of the Companies Act, 1956 confirmed by the Hon'ble High Court of Karnataka and appeal filed by SEBI.

Our opinion is not qualified in respect of this matter.

6. Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) On the basis of the written representations received from the directors of the Holding Company and Subsidiary Company as on 31st March, 2017 taken on record by the Board of Directors of the respective Companies, none of the directors of the Group companies, are disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of Internal Financial Control over Financial Reporting of the Company and operating effectiveness of such controls, refer to our separate report in "Annexure - A".

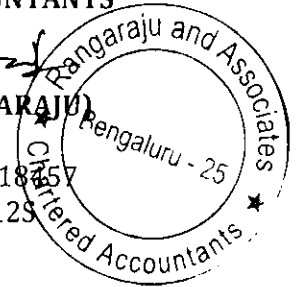
(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Group has disclosed the impact of pending litigation on its financial position in its Consolidated Financial Statements vide Note no. 27, 28 and Note no. 41 to the Consolidated Financial Statements.
- ii. The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts that were required to be transferred to the Investor Education and Protection Fund by the Group.
- iv. The Group had provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and the same were in accordance with the books of accounts maintained by the respective Companies in the Group.

for RANGARAJU AND ASSOCIATES
CHARTERED ACCOUNTANTS


(KRISHNAN RANGARAJU)
PARTNER

Membership No. 018457
Firm No. 006912S



Place : Bangalore
Date : 07.06.2017

**ANNEXURE - A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE
CONSOLIDATED FINANCIAL STATEMENTS OF KHODAY INDIA LIMITED**

**Report on the Internal Financial Controls under Section 143 (3) (i) of the Companies
Act, 2013 ("the Act")**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Khoday India Limited (hereinafter referred to as "the Holding Company") and its Subsidiary, Khoday Properties Private Limited, which is a Company incorporated in India as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the of the Holding company and its Subsidiary Company, which is a Company incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its subsidiary company which is a company incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

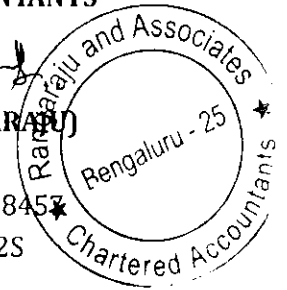
for **RANGARAJU AND ASSOCIATES**
CHARTERED ACCOUNTANTS


(KRISHNAN RANGARAJU)

PARTNER

Membership No. 018457

Firm No. 006912S



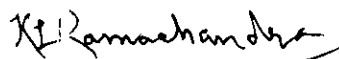
Place : Bangalore

Date : 07.06.2017

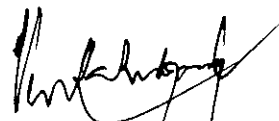
KHODAY INDIA LIMITED
Consolidated Balance Sheet as at 31st March 2017

PARTICULARS	Note	As at 31.03.2017	As at 31.03.2016
EQUITY AND LIABILITIES			
1. SHAREHOLDERS' FUNDS			
[a] Share Capital	1	336,601,950	336,601,950
[b] Reserves & Surplus	2	(146,492,432)	(60,085,687)
		190,109,518	276,516,263
2. NON - CURRENT LIABILITIES			
[a] Long - Term Borrowings	3	2,085,630,349	1,373,807,659
[b] Other Long - Term Liabilities	4	-	3,081,038
[c] Long - Term Provisions	5	29,834,000	24,975,000
		2,115,464,349	1,401,863,697
3. CURRENT LIABILITIES			
[a] Short -Term Borrowings	6	38,491,146	693,318,622
[b] Trade Payables	7	115,350,721	172,332,835
[c] Other Current Liabilities	8	482,064,552	620,350,643
[d] Short -Term Provisions	9	4,497,167	7,851,080
		640,403,587	1,493,853,179
T O T A L :-		2,945,977,453	3,172,233,139
ASSETS			
1. NON-CURRENT ASSETS			
[a] Fixed Assets	10		
[i] Tangible Assets		1,860,110,279	1,834,435,481
Less: Depreciation		1,454,395,711	1,387,274,862
[ii] Tangible Assets		405,714,569	447,160,619
[b] Goodwill on Consolidation		818,684	818,684
[c] Non - Current Investments	11	611,019,183	611,990,589
[d] Long -Term Loans and Advances	12	43,036,837	57,855,384
[e] Other Non-Current Assets	13	11,674,808	11,497,042
		1,072,264,080	1,129,322,318
2. CURRENT ASSETS			
[a] Inventories	14	729,345,692	852,417,472
[b] Trade Receivables	15	473,839,182	448,492,889
[c] Cash & Cash Equivalents	16	450,692,587	445,442,876
[d] Short -Term Loans & Advances	17	194,657,978	259,021,939
[e] Other Current Assets	18	25,177,934	37,535,645
		1,873,713,373	2,042,910,821
T O T A L :-		2,945,977,453	3,172,233,139
Significant Accounting Policies	A		
Notes on Accounts	1 - 42		
The Notes referred to above form an integral part of the Balance Sheet		-	-

For and Behalf of the Board

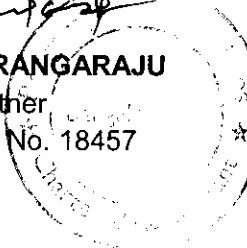

K. L. RAMACHANDRA
Chairman


K. L. SWAMY
Executive Director


R. VENKAT SUBRAMANYAN
Company Secretary & CFO

 As per our report of even date
For Rangaraju & Associates
Chartered Accountants
Firm Regn No.6912S


KRISHNAN RANGARAJU
Partner
Membership No. 18457

 Place : Bangalore
Date : 07.06.2017


KHODAY INDIA LIMITED**Consolidated Statement of Profit and Loss for the Year Ended 31.03.2017**

PARTICULARS	Note	For the Year Ended 31.03.2017	For the Year Ended 31.03.2016
INCOME :-			
Revenue from Operations	19	1,476,732,784	2,003,983,239
Other Income	20	39,739,932	27,127,645
TOTAL REVENUE:-		1,516,472,715	2,031,110,884
EXPENSES :-			
Cost of raw materials consumed and purchase of goods for resale	21	738,829,247	814,899,120
Changes in inventories of finished goods and Work-In-Progress	22	125,697,723	225,775,665
Employees benefit expenses	23	185,798,231	188,023,655
Finance costs	24	74,922,204	201,785,723
Depreciation	10	67,364,276	76,274,103
Other expenses	25	410,121,300	492,431,341
TOTAL EXPENSES :-		1,602,732,981	1,999,189,606
PROFIT/ (LOSS) BEFORE EXCEPTIONAL / EXTRAORDINARY ITEMS AND TAX		(86,260,266)	31,921,278
Exceptional / Extraordinary Items			-
PROFIT / (LOSS) BEFORE TAXATION		(86,260,266)	31,921,278
Provision for Taxation - Current Income Tax			
PROFIT/ (LOSS) AFTER TAXATION		(86,260,266)	31,921,278
Income Tax relating to earlier years - (Net)		146,480	101,291
Prior year adjustments			
NET PROFIT/ (LOSS) FOR THE YEAR		(86,406,746)	31,819,987
Balance carried to Balance Sheet		(86,406,746)	31,819,987
Basic and Diluted Earnings per Share (in Rupee) Refer Note - 38		(2.57)	0.95
Significant Accounting Policies		A	
Notes on Accounts		1 - 42	
The Notes referred to above form an integral part of Statement of Profit and Loss			

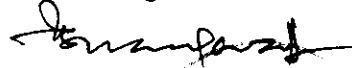
For and Behalf of the Board

As per our report of even date

For Rangaraju & Associates

Chartered Accountants

Firm Regn No.6912S


KRISHNAN RANGARAJU

Partner

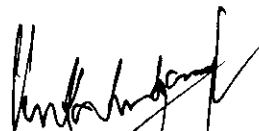
Membership No. 18457


K. L. RAMACHANDRA

Chairman


K. L. SWAMY

Executive Director


R. VENKAT SUBRAMANYAN

Company Secretary & CFO

Place : Bangalore

Date : 07.06.2017

KHODAY INDIA LIMITED
Consolidated Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS			As at 31.03.2017	As at 31.03.2016
NOTE - 1 : SHARE CAPITAL				
AUTHORISED				
4,50,00,000 (PY- 4,50,00,000) Equity Shares of Rs.10/- each			450,000,000	450,000,000
ISSUED, SUBSCRIBED AND PAID UP				
3,36,60,195 (PY - 3,36,60,195) Equity Shares of Rs.10/- each			336,601,950	336,601,950
RECONCILIATION OF NUMBER OF SHARES	As at 31.03.2017 (Rs.)	As at 31.03.2016 (Rs.)		
Balance as at the beginning of the year (Number of Shares: 3,36,60,195; PY-3,36,60,195)	336,601,950	336,601,950		
Balance as at the end of the year (Number of Shares: 3,36,60,195; PY-3,36,60,195)	336,601,950	336,601,950		
TERMS/RIGHTS ATTACHING TO EQUITY SHARES				
The Company has only one class of equity shares having a par value of Rs.10/- per share with voting rights.				
Pursuant to the Minimum Public Shareholding regulations prescribed under Securities Contracts (Regulation) Act, 1956, SEBI has passed an order dated 24th July, 2014, limiting the voting rights, dividend, bonus shares etc. of the Promoter/Promoter group to 31.38%.				
On an appeal filed by the Company with Securities Appellate Tribunal (SAT), the Company was directed to file a representation with SEBI on this matter. Subsequently, SEBI disposed off the representation made by the Company without interfering with the order dated 24th July, 2014.				
The Company is in the process of filing an appeal before the SAT, Mumbai, challenging the order passed by SEBI. However without admitting, the Company has complied with the original order of SEBI dated 24th July, 2014				
DETAILS OF SHAREHOLDERS HOLDING MORE THAN 5% SHARES IN THE COMPANY				
Name of the Shareholder	Number of Shares and % of			
	As at 31.03.2017	As at 31.03.2016		
K.L. Ramachandra (H.U.F)	58,11,839 (17.27%)	58,11,839 (17.27%)		
K.L. Srihari (H.U.F)	58,15,795 (17.28%)	58,15,795 (17.28%)		
K.L.A Padmanabhasa (H.U.F)	58,11,580 (17.27%)	58,11,580 (17.27%)		
K.L. Swamy (H.U.F)	58,01,122 (17.23%)	58,01,122 (17.23%)		
Gayathri Holdings Pvt Ltd	23,42,150 (6.96%)	23,42,150 (6.96%)		
As per the records of the Company, including its register of shareholders/members, the above shareholding represents both legal and beneficial ownership of shares. The company has neither bought back nor issued any bonus shares in the last five years.				
Total...			336,601,950	336,601,950
NOTE - 2 : RESERVES AND SURPLUS				
CAPITAL RESERVE				
As per last Balance Sheet		{ A }	2,079,550	27,346,980
Less : Transferred to General Reserve on disposal of Asset			-	25,267,430
As at the end of the financial year			2,079,550	2,079,550

KHOJAY INDIA LIMITED
Consolidated Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS		As at 31.03.2017	As at 31.03.2016
CAPITAL REDEMPTION RESERVE:			
As per last Balance Sheet	{ B }	531,340	531,340
REVALUATION RESERVE :			
As per last Balance Sheet		110,759,483	110,759,483
GENERAL RESERVE :			
As per last Balance Sheet	{ C }	258,430,623	233,163,193
Add : Transferred from Capital Reserve on disposal of Asset		-	25,267,430
As at the end of the financial year		258,430,623	258,430,623
SURPLUS IN THE STATEMENT OF PROFIT & LOSS:			
As per last Balance Sheet		(431,886,684)	(463,706,671)
Add: Profit /(Loss) for the year		(86,406,746)	31,819,987
As at the end of the financial year	{ D }	(518,293,429)	(431,886,684)
Total... { A+B+C+D }		(146,492,432)	(60,085,687)
NOTE - 3 : LONG - TERM BORROWINGS:			
SECURED LOANS:			
a.Term Loans:			
i - From Banks		35,693,659	215,860,171
ii - From Others		125,264,011	33,048,657
Less: Current Maturities of long term debt (Refer note 8a)		17,301,769	94,440,974
	{ A }	143,655,901	154,467,854
b.Long Term Maturities of Finance Lease Obligations - Hire Purchase		17,584,809	34,940,642
Less: Current maturities of Finance Lease Obligations (Refer note 8b)		8,293,882	18,991,165
	{ B }	9,290,927	15,949,477
UNSECURED:			
a. Loans & Advances from Related Parties	{ C }	1,932,683,521	1,203,390,328
Total... { A+B+C }		2,085,630,349	1,373,807,659
(a) (i) Term Loans from banks include			
SECURED BY	TERMS OF REPAYMENT	DEFAULT (If any)	
(1) Rs NIL (PY: Rs. 210,847 thousands) secured by Pari 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 third Parties and Corporate Guarantee of Firms and Trust in which some Directors are Partners and Trustees respectively.	Fully repaid during the financial year	-NIL- (PY: NIL)	
(2) Rs NIL (PY: 5,013 thousands) secured by hypothecation of 25 vehicles in the name of the Company.	Fully repaid during the financial year	-NIL- (PY: NIL)	
(3) Rs 35,694 thousands (PY: NIL) secured by First Charge on Maturation stock and further secured by first charge by way of EMT of Land and Building of the Company , and further secured by personal guarantee of three Directors of the Company.	Repayable in 36 instalments from March 2019 along with interest at 14.65% p.a (BR + 5.80% + 0.40%)	-NIL- (PY: NIL)	

KHODAY INDIA LIMITED
Consolidated Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS			As at 31.03.2017	As at 31.03.2016
(a) (ii) Term Loans from Others include				
(1) Rs 25,281 thousands (PY: 31,430 thousands) secured by Immovable property in the name of 3 Directors of the Company.	Repayable in 60 monthly instalments commencing from September 2015 along with interest at the rate of 14.50% per annum.	-NIL- (PY: NIL)		
(2) Rs. NIL (PY: 1,619) secured by hypothecation of Equipment of the Company.	Fully repaid during the financial year	-NIL- (PY: NIL)		
(3) Rs 99,983 thousands (PY: NIL) secured by way of mortgage of immovable property which is co owned by some of the Directors and Five third parties and , further secured by personal guarantee of some Directors & Seven third parties.	Repayable in 84 monthly instalments from March 2017 along with interest at the rate of 12.00% per annum			
(b) Long Term Maturities of Finance Lease Obligations include				
Rs. 17,585 thousands (PY: Rs.34,941 thousands) secured by hypothecation of Vehicles of the company .	Payments of Equated Monthly Instalments from the month subsequent to taking the lease at interest ranging from 10.50% to 17% per annum.	-NIL- (PY: NIL)		
a. Unsecured Loans & Advances from Related parties				
PARTICULARS	TERMS OF REPAYMENT	DEFAULT (if any)		
Rs. 19,32,684 thousands (PY: Rs. 12,03,390 thousands) taken from Directors	Repayable after twelve months from April 2017 without interest.	-NIL- (PY: NIL)		
NOTE - 4 : OTHER LONG -TERM LIABILITIES:				
a.Trade payables*			-	3,081,038
Total...			-	3,081,038
*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
Consolidated Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS	As at 31.03.2017	As at 31.03.2016
NOTE - 5 : LONG -TERM PROVISIONS:		
a.Provisions for Employee Benefits	29,834,000	24,975,000
Total...	29,834,000	24,975,000
NOTE - 6 : SHORT -TERM BORROWINGS:		
SECURED LOANS:		
a. Loans repayable on demand		
From Banks		
- Overdraft \ Cash Credit	38,491,146	693,318,622
Total...	38,491,146	693,318,622
a.Loans Repayable on demand (Overdraft \ Cash Credit) from Banks is secured by		
SECURED BY	DEFAULT (if any)	
(1) First charge by way of Govt Supply Bills and first exclusive charges on entire book debts of the Company	ROI - MCLR +2.90%(-)0.75% NIL- (P Year : NIL)	
(2) Equitable mortgage of property of the Firm, in which some of the Directors are partners.		
(3) Further secured by the Immovable property of some of the Directors and their relatives.		
(4) Personal guarantee of some of the Directors, One Shareholder and a Firm in which some of the directors are partners.		
NOTE - 7 : TRADE PAYABLES:		
a.Micro, Small and Medium Enterprises	-	-
b.Others	115,350,721	172,332,835
Total...	115,350,721	172,332,835
NOTE - 8 : OTHER CURRENT LIABILITIES:		
a.Current maturities of Long Term Debt (Refer Note 3a)	17,301,769	94,440,974
b.Current maturities of Finance Lease Obligations (Refer Note 3b)	8,293,882	18,991,165
c.Employee Benefits payable	49,338,040	51,911,008
d.Trace Deposits and Advance from Customers	101,239,485	136,631,502
e.Statutory Dues payable	11,063,227	23,547,844
f.Liabilities towards Equity Share holders - Capital Reduction - Refer Note No 28	294,828,150	294,828,150
Total...	482,064,552	620,350,643

KHODAY INDIA LIMITED
Consolidated Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS				As at 31.03.2017	As at 31.03.2016
NOTE - 9 : SHORT - TERM PROVISIONS:					
a. For Excise Duty				4,497,167	7,851,080
Total ...				4,497,167	7,851,080
NOTE - 11 : NON-CURRENT INVESTMENTS					
<i>(Long - Term Investments)</i>					
A. TRADE INVESTMENTS					
i. EQUITY INSTRUMENTS (QUOTED)					
		Number of Shares			
Particulars	F V of each share	2016-17	2015-16		
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
Sub Total			{ A }	10,249	10,249
ii. EQUITY INSTRUMENTS (UNQUOTED)					
Particulars	F V of each share	2016-17	2015-16		
Shreeo 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	125,000	125,000
United Glass Bottles Mfg Co Ltd	10	13650	13650	137,000	137,000
Khoday Industries Pvt Ltd	1000	480	480	480,000	480,000
Panchakala Malt Limited	10	100	100	1,000	1,000
Sub Total			{ B }	757,000	757,000
B. NON - TRADE INVESTMENTS					
i. EQUITY INSTRUMENTS (QUOTED)					
Particulars	F V of each share	2016-17	2015-16		
Gulf Oil Corporation Limited	2	6317	6317	56,860	56,860
Gulf Oil Lubricants India Limited	2	6317	6317	56,860	56,860
Sub Total			{ C }	113,720	113,720
ii. EQUITY INSTRUMENTS (UNQUOTED)					
Particulars	F V of each share	2016-17	2015-16		
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
Sub Total			{ D }	81,000	81,000

KHODAY INDIA LIMITED

Consolidated Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS					As at 31.03.2017	As at 31.03.2016	
iii. INVESTMENT IN MUTUAL FUNDS (UNQUOTED)							
Canara Robeco - Daily Dividend	10		11,933	11,329	122,439	116,241	
Canara Robeco - Regular Dividend	10		3,627	3,627	75,240	75,240	
Sub Total					{ E }	197,679	191,481
iv. INVESTMENT IN PARTNERSHIP FIRM							
Lakshmi Estate					609,764,681	610,742,286	
Name of the Partners		Share of Partners		Total Capital (Rs.In thousands)			
		2016-17	2015-16	2016-17	2015-16		
Khoday India Limited	75.00%	75.00%		609,765	610,742		
K.L. Srihari - HUF	6.25%	6.25%		50,039	50,120		
K.L. Swamy - HUF	6.25%	6.25%		52,964	53,046		
K.L. Ramachandra - HUF	6.25%	6.25%		50,670	50,120		
K.L.A. Padmanabhasa - HUF	6.25%	6.25%		50,039	50,120		
Total					{ F }	609,764,681	610,742,286
v. OTHERS							
Investment in Government Securities					152,850	152,850	
Total					{ G }	152,850	152,850
TOTAL OF NON-CURRENT INVESTMENTS					{ A to G }	611,077,179	612,048,585
Less: Aggregate Provision for Diminution in the Value of Non-Current Investr					57,996	57,996	
TOTAL NON - CURRENT INVESTMENTS (Net of Provision)					611,019,183	611,990,589	
AGGREGATE AMOUNT OF QUOTED INVESTMENTS					123,969	123,969	
AGGREGATE MARKET VALUE OF QUOTED INVESTMENTS					7,614,518	4,989,414	
AGGREGATE AMOUNT OF UNQUOTED INVESTMENTS					610,953,210	611,924,617	
NOTE - 12:LONG - TERM LOANS AND ADVANCES							
(Unsecured & Considered Good)							
a.Capital Advances					9,564,582	15,572,698	
b.Security Deposits					17,375,710	17,427,726	
c.Advance Income Tax \TDS					7,353,953	16,112,368	
d. Other Loans and Advances - Trade					8,742,592	8,742,592	
Total...					43,036,837	57,855,384	
NOTE - 13:OTHER NON-CURRENT ASSETS							
(Unsecured & Considered Good)							
a.Earnest Money Deposits					11,674,808	11,497,042	
Total..					11,674,808	11,497,042	
NOTE - 14 :INVENTORIES							
Valued at lower of Cost and NRV							
a.Raw Materials					140,892,578	140,487,592	
b.Work-in-Progress					518,235,789	626,942,037	
c.Finished Goods					46,604,169	63,595,644	
d.Stores, Spares ,Packing Material & Fuel					23,613,155	21,392,199	
Total..					729,345,692	852,417,472	

KHODAY INDIA LIMITED**Consolidated Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017**

PARTICULARS	As at 31.03.2017	As at 31.03.2016
<u>NOTE - 15 :TRADE RECEIVABLES</u>		
(Unsecured & Considered Good)		
a.Outstanding for a period exceeding six months from due date	58,987,125	59,984,702
b.Others	414,852,057	388,508,187
T o t a l . .	473,839,182	448,492,889
<u>NOTE - 16:CASH AND CASH EQUIVALENTS</u>		
a.Balance with Banks		
- In Current Accounts	25,651,447	85,629,090
- In Deposit Accounts	50,000,000	-
- In Deposit Accounts for Margin Money	46,978,923	8,573,378
- In Deposit Accounts for Capital Reduction - Refer Note No 28	295,000,000	295,000,000
b.Cheques and Drafts on Hand	2,500,000	165,000
c.Cash on hand	30,562,218	56,075,408
T o t a l . .	450,692,587	445,442,876
<u>NOTE - 17:SHORT - TERM LOANS AND ADVANCES</u>		
(Unsecured & Considered Good)		
a.Lease Deposit with Related Party*	88,626,000	123,626,000
b.Loans and Advances to Employees	1,683,161	1,483,505
c.Trade Advances	57,909,239	36,340,960
d.Balances with Govt. Authorities	46,439,578	97,571,474
* Lease Deposit with a firm in which some of the Directors are partners.		
T o t a l . .	194,657,978	259,021,939
<u>NOTE - 18:OTHER CURRENT ASSETS</u>		
a.Interest Accrued on Fixed Deposits	10,827,467	17,384,944
b.Prepaid Expenses	14,350,467	20,150,701
T o t a l . .	25,177,934	37,535,645
<u>NOTE - 19 : REVENUE FROM OPERATIONS</u>		
Sale of IML	5,131,040,561	5,207,593,627
Realty Income	-	407,876,400
Others*	37,994,085	31,146,373
	5,169,034,646	5,646,616,400
Less: Excise Duty	3,692,301,863	3,642,633,161
*Includes sale of spirits and flavouring materials.		
T o t a l . .	1,476,732,784	2,003,983,239
<u>NOTE - 20 : OTHER INCOME</u>		
Interest Income from Fixed deposits	25,032,194	16,431,602
Dividend Income from Non - Current investments	56,853	53,925
Dividend Income from Mutual Fund	6,198	6,077
Royalty and Other Income	2,283,444	1,050,628
Profit on Redemption of Mutual Fund	-	275,240
Sundry Credit balances Written Back	12,361,242	9,310,174
T o t a l . .	39,739,932	27,127,645

KHODAY INDIA LIMITED

Consolidated Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS	As at 31.03.2017	As at 31.03.2016
<u>NOTE - 21 : COST OF RAW MATERIALS CONSUMED AND GOODS PURCHASED FOR RESALE</u>		
OPENING STOCK		
Raw Materials and goods purchased for resale	140,487,592	132,839,044
Power and Fuel	641,801	674,167
Stores, Spares and Packing Materials	20,750,398	22,827,443
Total.. {A}	161,879,791	156,340,654
ADD: PURCHASES		
Raw Materials	643,390,799	704,828,512
Power and Fuel	17,994,719	27,186,256
Stores, Spares and Packing Materials	80,069,672	88,423,488
Total.. {B}	741,455,190	820,438,256
LESS: CLOSING STOCK		
Raw Materials	140,892,578	140,487,592
Power and Fuel	181,306	641,801
Stores, Spares and Packing Materials	23,431,849	20,750,398
Total.. {C}	164,505,734	161,879,791
<u>Consumption of Raw Materials and Purchased for resale.</u>		
Raw Materials and goods purchased for resale	642,985,813	697,179,964
Power and Fuel	18,455,214	27,218,623
Stores, Spares and Packing Materials	77,388,221	90,500,533
Cost of Raw Material Consumed and goods purchased for resale (A + B - C)	738,829,247	814,899,120
<u>NOTE - 22 : CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS</u>		
CLOSING STOCK :-		
Finished Goods	46,604,169	63,595,644
Work-In-Progress	518,235,789	626,942,037
Total.. {A}	564,839,958	690,537,681
OPENING STOCK :-		
Finished Goods	63,595,644	35,492,473
Work-In-Progress	626,942,037	855,520,873
Other stock in trade - Land	-	25,300,000
Total.. {B}	690,537,681	916,313,346
Increase / (Decrease) in Stock (A - B)	(125,697,723)	(225,775,665)
<u>NOTE - 23 : EMPLOYEES BENEFITS</u>		
Salaries, Wages, Gratuity, Bonus and leave encashment	154,452,445	156,157,332
Staff Welfare Expenses	21,552,150	22,913,755
Contribution to P.F. and Other Funds	9,793,636	8,952,568
Total..	185,798,231	188,023,655
<u>NOTE - 24 : FINANCE COST</u>		
Interest		
On Term Loan	12,438,935	47,922,461
On Others	59,152,546	151,449,727
Bank Charges	3,330,723	2,413,536
Total..	74,922,204	201,785,723

KHODAY INDIA LIMITED

Consolidated Notes on Balance Sheet and Statement of Profit & Loss for the year ended 31.03.2017

PARTICULARS	As at 31.03.2017	As at 31.03.2016
NOTE - 25 : OTHER EXPENSES		
Manufacturing Expenses:		
Power & Lighting Charges	24,841,944	28,168,406
Repairs & Maintenance :		
- Buildings	7,218,283	6,899,357
- Plant & Machinery	19,444,241	16,802,735
- Electrical	867,461	3,064,299
Total	{ A }	52,371,928
Administrative and Selling Expenses:		
Rent	12,951,039	13,916,061
Rates & Taxes	46,791,212	47,784,830
Insurance	2,356,015	1,966,406
Repairs & Maintenance :		
- Vehicles	16,902,960	18,339,991
- Others	4,407,281	5,295,226
Freight, Octroi & Storage Expenses	55,926,918	63,878,828
Lease Rent	13,788,034	14,158,245
Travelling & Conveyance	22,441,367	30,528,309
Printing & Stationery	2,076,838	2,377,512
Telephone ,Postage & Courier Charges	5,876,773	6,709,791
Books & Periodicals	416,726	160,255
Security Service Charges	11,775,532	8,855,309
Legal & Professional Charges	54,919,676	75,344,267
Directors Sitting Fees	80,500	85,750
Payments to Auditors		
- As Auditor	586,500	583,950
Cost Audit Fees	-	22,900
Bad Debts written off	832,479	3,256,685
Commission & Discount on Sales	18,735,302	39,100,499
Sales Promotion	40,985,804	60,010,138
Advertisement	17,757,811	4,754,922
Service Charges	21,523,942	7,939,425
Irrecoverable advances written off	278,107	24,102,787
Miscellaneous Expenses	5,222,131	6,941,619
Share of Loss in Partnership Firm	977,605	1,029,673
Foreign Exchange fluctation (Net)	138,415	353,167
Loss on sale of asset	406	-
Total	{ B }	357,749,372
Total..	{ A+ B }	410,121,300
		492,431,341

FIXED ASSETS SCHEDULE AS ON 31 - 03 - 2017

In Rupees

SL NO	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		AS ON 01.04.2016	ADDITIONS	SALES / TRANSFER	AS ON 31.03.2017	AS ON 01.04.2016	FOR THE YEAR	WITHDRAWN	AS ON 31.03.2017	AS ON 31.03.2016
1	LAND	24,105,210			24,105,210				24,105,210	24,105,210
2	BUILDINGS	460,558,308			460,558,308	254,949,221	18,445,191		273,394,412	205,509,087
3	PLANT & MACHINERY	706,684,415	9,888,083		716,572,498	572,065,252	25,019,309		597,084,562	134,619,163
4	FURNITURE & FIXTURES OTHER OFFICE EQUIPMENTS	408,297,753	920,026	267,334	408,950,445	383,061,690	3,515,236	243,428	386,333,498	25,236,063
5	VEHICLES	234,789,795	15,134,023		249,923,818	177,198,700	20,384,539		197,583,239	57,591,095
	Total	1,834,435,481	25,942,132	267,334	1,860,110,279	1,387,274,863	67,364,276	243,428	1,454,395,711	447,160,618
	Previous Year	1,803,889,875	30,545,606	-	1,834,435,481	1,311,000,760	76,274,103	-	1,387,274,863	492,889,115

KHODAY INDIA LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017

Particulars	[Rupees in thousands]	
	2016-17	2015-16
A. Cash flow from Operating Activities		
Net Profit Before Tax	(86,260)	31,921
Adjusted for:		
Depreciation	67,364	76,274
Interest Income	(25,032)	(16,432)
Dividend Income	(63)	(60)
Interest & Bank Charges	74,922	201,786
Sundry Credit balance written back	(12,361)	(9,310)
Irrecoverable advances and Bad debts written off	1,111	27,359
Profit on redemption of mutual fund	-	(275)
Loss from Lakshmi Estate (Partnership Firm)	978	1,030
Operating Profit Before Working Capital Changes	20,658	312,293
Adjusted for:		
Trade and other Receivables	67,289	33,855
Inventories	123,072	220,237
Trade and other payables	(96,646)	29,121
Cash Generated from operations	114,373	595,506
Net prior year adjustments	-	-
Taxes paid (including TDS receivable)	(2,530)	(5,832)
Net Cash from / (Used in) Operating Activities [A]	111,843	589,674
B. Cash Flow from Investing activities		
Purchase of Fixed Assets	(25,942)	(30,546)
Sale of Fixed Assets	24	-
Movement in Investment	(6)	1,719
Interest Income (Gross)	25,032	16,432
Dividend Income	63	60
Profit on redemption of mutual fund	-	275
Net Cash from / (Used in) Investing Activities [B]	(829)	(12,060)
C. Cash flow from Financial Activities		
Proceeds from Borrowings	906,294	209,710
Repayment of Borrowings	(937,135)	(195,536)
Interest & Bank Charges	(74,922)	(201,785)
Net Cash flow from/(Used in) Financing Activities [C]	(105,763)	(187,611)
Net Cash Flows during the year {A+B+C}	5,251	390,003
Cash & Cash Equivalents(Opening Balance)	445,442	55,439
Cash & Cash Equivalents (Closing Balance)	450,693	445,442

Significant Accounting Policies and Notes on Financial Statements

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, 2013.

(c) Principles of Consolidation

The consolidated financial statements include the financial statements of Khoday India Limited and its Wholly Owned Subsidiary, Khoday Properties Private Limited. The financial statements of Khoday India Limited and its Subsidiary have been combined on a line-by-line basis by adding together the book values of all items of assets, liabilities, income and expenditure after eliminating all inter company balances/transasctions and resulting unrealized gain/loss from the date the parent company acquired control of the Subsidiary. The consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

(d) 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.

(e) 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.

(f) 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.

Significant Accounting Policies and Notes on Financial Statements

(g) 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.

(h) 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 item:**

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.

(i) Depreciation Accounting:

Depreciation has been provided on fixed assets based on the useful life prescribed under Schedule II to the Companies Act 2013, on written down value method except for Plant & Machinery and Building of Distillery Division acquired prior to 31st March 1999 and the assets of Paper Division where the depreciation has been provided on straight line basis. The useful life of Oakwood Barrels has been taken as 14 years, 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.

Certain Fixed Asset were been revalued during the year 1998-99. Consequent to provisions contained in Schedule II to the Companies Act, 2013 read with "Applicable Guide on the Provisions of Schedule II to the Companies Act, 2013" issued by the ICAI, the depreciation amount attributable to the revalued portion of Fixed Assets have been charged to the Statement of Profit & Loss Account and not drawn from the Revaluation Reserve.

(j) 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.
- Incomes from services or contracts are recognized in accordance with the terms of the contract.

Significant Accounting Policies and Notes on Financial Statements**(k) 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.

In case of revaluation of Tangible Assets, the difference between the written up value of the Asset revalued and the carrying amount in the books are transferred to Revaluation Reserve.

(l) 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.

(m) Accounting for Investments:

- Non Current 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.

(n) 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.

Significant Accounting Policies and Notes on Financial Statements**(o) 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.

(p) Segment Reporting:

The company has considered business segment as reporting segment and accordingly identified Liquor, Glass, Contract, Systems and Realty 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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, 1961. 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.

Significant Accounting Policies and Notes on Financial Statements

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.

(u) 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.

(v) 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.

(w) Trade Receivables and Loans & Advances:

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

(x) Expenditure:

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

(y) 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.

Significant Accounting Policies and Notes on Financial Statements
Rs in Thousands

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	2016-17	2015-16
1.	Claims against the company not acknowledged as debts *	20,928	16,916
2.	Disputed Income Tax not provided for	549	7,752

* Out of the above, Rs 9,102 (PY Rs 8,100) has been paid under dispute before the concerned forums.

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 Public shareholders to the extent of 3,931,042 shares at Rs 75/- per share amounting to Rs 294,828 was passed at the AGM held on 30th December 2013. The Hon'ble Karnataka High Court, on 7th August, 2014 passed an order confirming the special resolution passed by the Company in the said AGM. A certificate of reduction of Capital was issued by the said ROC dated 12th September, 2014 and the MCA records have been updated, incorporating the Reduction of Capital.

The Company has made requisite entries in the books of accounts giving effect to the Reduction of Capital by reducing its Share Capital, Reserves/Securities Premium and creating a liability towards the equity share holders under the head "Liability to Equity Share Holders" and a fixed deposit to the tune of Rs 295,000 has been placed with Punjab National Bank for settlement of this liability.

An application filed by SEBI for impleadment in the proceedings and recalling the order of Reduction of Capital was rejected by the Hon'ble High Court of Karnataka. SEBI has filed an appeal before the divisional bench of the High Court of Karnataka and the matter is pending before the concerned forum.

The Company has made consistent and repeated attempts to implement the Court's Order by fixing the record date first on 29th September, 2014 and subsequently on 10th October, 2014, 7th December, 2014, 7th April, 2015, 22nd June, 2015 and 13th October, 2015 for the purpose of drawing up the list of Public Shareholders entitled to payment in respect of the shares so cancelled, but the same has not been acted upon by BSE Limited.

The Company has, in parallel, filed an application before the Hon'ble High Court of Karnataka requesting the Court to issue directions to the Bombay Stock Exchange to confirm the 'Record Date' set by the Company and consequently issue necessary instructions to the NSDL and CDSL. The matter is pending before the Hon'ble High Court of Karnataka.

29 Details of Specified Bank Notes held

Particulars	Specified Bank Notes	Other Denomination Notes	Total
Closing Cash in hand as on 08.11.2016	30,842	31,234	62,076
(+) Permitted Receipts	-	2,182	2,182
(-) Permitted Payments	-	3,865	3,865
(-) Amount Deposited in Banks	30,842	-	30,842
Closing Cash in hand as on 30.12.2016	-	29,551	29,551

Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

30 CIF Value Of Imports

Particulars	2016-17	2015-16
Raw Materials	23,087	32,836

31 Consumption of Imported and Indigenous Materials And Components

Particulars	2016-17		2015-16	
	In %	In Value	In %	In Value
Imported	2.72%	20,132	6.14%	50,056
Indigenous	97.28%	718,697	93.86%	764,843
Total Materials Consumed		738,829		814,899

32 Expenditure In Foreign Currency

Particulars	2016-17	2015-16
For Travel	-	274
For Consulting Services	9,583	11,380
For Others	500	826

33 Earnings In Foreign Currency

Particulars	2016-17	2015-16
FOB Value of Exports	994	1,244

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	2016-17	2015-16
Employer's Contribution to Provident Fund	7,356	7,452

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(R), the summarized position of post employment benefits is recognized in the Profit & Loss A/c and Balance Sheet as under:

35 Segment Reporting

BUSINESS SEGMENT	INFORMATION ABOUT BUSINESS SEGMENT												CONSOLIDATED TOTAL			
	LIQUOR		GLASS		CONTRACT		SYSTEMS		REALTY		OTHERS		ELIMINATIONS		2016-17	2015-16
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
External Sales - Net	5,131,041	5,207,594								407,876	40,632	38,877	-	-	5,171,672	5,654,347
Less: Inter-Segment Sales													2,638	7,730	2,638	7,730
Segment Revenue	5,131,041	5,207,594								407,876	40,632	38,877	2,638	7,730	5,169,035	5,646,616
RESULT																
Segment Result	(22,085)	(180,324)	(6,582)	(7,249)	(735)	(17,043)	(20,266)	382,576	(147)	(254)	(45,964)	-	-	-	173,855	
Impairment of Asset																
Unallocated Expense															(1,645)	(1,699)
Operating Profit															(47,609)	172,156
Interest Expenses															(63,684)	(156,666)
Interest Income															25,032	16,432
Income tax Expenses																
Profit from ordinary activities															(86,260)	31,921

Significant Accounting Policies and Notes on Financial Statements
Rs in Thousands
A. Changes in the present value of the obligations

Particulars	2016-17		2015-16	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Present Value of defined benefit obligation	23,471	1,505	31,994	1,968
Interest Cost	1,878	120	2,559	157
Current service cost	939	60	640	39
Add / (Less)				
Benefits Paid	(1,360)	(493)	(8,811)	(827)
Actuarial loss/ (gain) on obligations	3,175	539	(2,912)	167
Present value of defined benefit obligation	28,102	1,731	23,471	1,505

B. Amount recognized in Balance Sheet

Particulars	2016-17		2015-16	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Present value of defined benefit obligation	28,102	1,731	23,471	1,505
Add / (Less)				
Unrecognized past service cost	-	-	-	-
Unrecognized transitional liability	-	-	-	-
Unfunded net liability / (asset) recognized in Balance Sheet	28,102	1,731	23,471	1,505
Present value of defined benefit obligation	28,102	1,731	23,471	1,505
Breakup of accrued liability				
Non Current Liability	28,102	1,731	23,471	1,505

Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

C. Expenses recognized in the Profit & Loss Statement

Particulars	2016-17		2015-16	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Current service cost	939	60	640	39
Interest cost	1,878	120	2,559	157
Add / (Less)				
Net Actuarial loss/(gain) recognized in the year	3,175	539	(2,912)	167
Net benefit expense	5,991	719	287	363

D. Principal Actuarial assumption at the Balance sheet date

Particulars	2016-17		2015-16	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Discount rate	8%	7%	8%	8%
Rate of escalation in salary	4%	4%	4%	4%
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	13	13	14	14
Method used	PUCM	PUCM	PUCM	PUCM
Date of Actuarial Report	8 th May 2017	8 th May 2017	3 rd May 2016	3 rd May 2016

INFORMATION ABOUT GEOGRAPHICAL SEGMENTS

Secondary Segmental reporting is performed on the basis of the geographical location of the customers. The operations of the company comprise of indigenous sales and export sales. The company operates in two geographical areas namely "In India" and "Outside India"

(Rs. In Thousands)

GEOGRAPHICAL SEGMENT	SECONDARY SEGMENT REPORTING						
	INDIA		REST OF THE WORLD			TOTAL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	
Segment Revenue	5,168,041	5,645,372	994.00	1,244	5,169,035	5,646,616	
Segments Assets	1,934,307	2,239,238	-	-	1,934,307	2,239,238	
Capital Expenditure	25,942	30,546	-	-	25,942	30,546	

Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

36 Related Party Disclosures

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

Wholly owned Subsidiary

1. Khoday Properties Private Limited

Key Management Personnel

1. Late K L Srihari (Managing Director) upto 31st October, 2016
2. K L A Padmanabhasha (Joint Managing Director)
3. K L Swamy (Executive Director)
4. K H Gurunath (KMP of Subsidiary)
5. K P Ghanshyam (KMP of Subsidiary)
6. K S Brijmohan (KMP of Subsidiary)
7. K S Giridhar (KMP of Subsidiary)

Relatives of Key Management Personnel

1. K L Ramachandra (Non Executive Chairman)
2. K R Nithyanand (Non Executive Director)
3. K H Radheshyam
4. K.H. Srinivas
5. K R Dayanand

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 Padmanabhasha - HUF
3. K L Srihari - HUF
4. K L Swamy - HUF
5. Acqua Borewells Private Limited
6. Blendwell bottlers Private Limited
7. Cassanova Distilleries Private Limited
8. Coconut Groves & Holiday Resorts Pvt Limited
9. Daatha 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. Hercules Construction Company Pvt Limited
17. Honeywell Business Private Limited
18. Ingo Property Developers Private Limited
19. Jay Pee Shoes Private Limited
20. K Lakshmana & Company
21. Kankapura Trading Private Limited
22. Khoday Brothers
23. Khodays Breweries Limited
24. Khoday Business Private Limited
25. Khoday Control Systems Private Limited
26. Khoday Eshwarsa and Sons
27. Khoday Hotels Private Limited
28. Khoday Industires (Kuppam) Private Limited
29. Khoday Industries (Hyderabad) Private Limited

Significant Accounting Policies and Notes on Financial Statements**Rs in Thousands**

30. Khoday Industries Pvt Limited
31. Khodays Brothers International Limited
32. Khodays Technologies Limited
33. Kilara Power Limited
34. L.K Polyfibre Limited
35. L.K Power Corporation Limited
36. L.K Trust
37. Lakshmi Estate
38. Macdonald Tradings Private Limited
39. Mc Donald Distilleries Private Limited
40. National Distilleries Limited
41. North India Distillers Private Limited
42. Panchaganga Tradings Private Limited
43. Panchakalyani Tradings Private Limited
44. Parsan Holiday Resorts Private Limited
45. Peterscot Tradings Private Limited
46. Ram Mohan & Company Private Limited
47. Ransh Coffee Estate
48. River Resorts Limited
49. Saraswathi Estate
50. Spring Borewells Company Private Limited
51. Sri Gurunath Tradings Private Limited
52. Sri Narmada Distilleries Private Limited
53. Surya Watch Industries Private Limited
54. The Distillers Company Private Limited
55. Thiruvonam Wines
56. Regit Estates Limited (formerly Tiger Breweries Limited)
57. Trishul Wineries & Distilleries Private Limited
58. United Glass Bottles Manufacturing Company Limited
59. Universal Business Concepts Private Limited
60. Universal Trading Company
61. Vaishnavi Communications Private Limited
62. Vindhya Distilleries
63. Vyjayanthi Tradings Private Limited
64. Wesco Power Generation Limited
65. West India Distilleries Private Limited

KHODAY INDIA LIMITED

Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

Particulars	2016-17				2015-16			
	Wholly Owned 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	Wholly Owned 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
A. Income/Liabilities								
Sales	-	-	-	7,730	-	-	-	13,705
Rent received	-	-	-	600	-	-	-	450
B. Expenses/Assets								
Purchase of Goods / Services	-	-	-	28	-	-	-	354
Lease/ Rent Paid	-	360	360	2,425	-	360	360	2,584
Traveling, Sales promotion and others	-	-	-	362	-	-	-	1,093
Lease Deposit Refund	-	-	-	35,000	-	-	-	-
C. Loans Taken/Transferred								
From Directors	-	1,417,141	-	-	-	420,058	-	-
D. Loans Repaid/Transferred								
To Directors	-	687,849	-	-	-	284,945	-	-
E. Closing Balance								
Unsecured Loan	-	1,932,683(Cr)	-	-	-	1,203,390(Cr)	-	-
Lease Deposit	-	-	-	88,626 (Dr)	-	-	-	123,626 (Dr)
Investment in								
Partnership firm	-	-	-	609,765	-	-	-	610,742
Companies	-	-	-	480	-	-	-	480

KHODAY INDIA LIMITED

Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

- K L A Padmanabhasa - H.U.F	-	-	-	-	90	-	-	-	90
K L Ramachandra - H.U.F	-	-	-	-	90	-	-	-	90
K L Srihari - H.U.F	-	-	-	-	90	-	-	-	90
K L Swamy - H.U.F	-	-	-	-	90	-	-	-	90
K R Dayananda	-	-	-	90	-	-	-	90	-
K H Radheshyam	-	-	-	90	-	-	-	90	-
K H Srinivas	-	-	-	90	-	-	-	90	-
K P Ghanshyam	-	90	-	-	-	-	90	-	-
K S Brijmohan	-	90	-	-	-	-	90	-	-
Sub-total	-	360	-	360	2,425	-	360	360	2,584
Traveling, Sales promotion & others									
- Ram Mohan & Company Pvt Ltd	-	-	-	-	362	-	-	-	1,093
Sub-total	-	-	-	-	362	-	-	-	1,093
Lease Deposit refund									
- Khoday Eshwarsa and Sons	-	-	-	-	35,000	-	-	-	-
Sub-total	-	-	-	-	35,000	-	-	-	-
C. Loans Taken/Transferred									
- K L A Padmanabhasa		180,524					59,973		
- K L Ramachandra		180,040					59,872		
- K L Srihari		179,983					116,597		
- K L Swamy		392,167					183,610		
- K H Gurunath (From K L Srihari)		484,415					6		
- K P Ghanshyam		4					6		
- K S Brijmohan		4					6		
- K S Giridhar		4					6		
Sub-total		1,417,141					420,076		
D. Loans Repaid/Transferred									
- K L A Padmanabhasa		2,567					180		

Significant Accounting Policies and Notes on Financial Statements
Rs 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	2016-17	2015-16
<u>Operating Lease:</u>		
Less than 1 year	13,743	13,738
Later than 1 year & not later than 5 years	NIL	NIL
Later than 5 years	NIL	NIL
<u>Finance Lease:</u>		
Less than 1 year	8,293	18,991
Later than 1 year & not later than 5 years	9,290	15,949
Later than 5 years	NIL	NIL

38 Earnings Per Share

Particulars		2016-17	2015-16
Profit/(Loss) after Taxation as per Profit and Loss Account	A	(86,406)	31,820
Weighted Average Number of Equity Shares (In Nos in '000)	B	33,660	33,660
Earnings per Share - Basic (in Rs.) {A/B}		(2.57)	0.95
Earnings per Share - Diluted (in Rs.) {A/B}		(2.57)	0.95
Face Value per Share (in Rs.)		10.00	10.00

The above calculated EPS has been made out based on the reduced Capital pursuant to the scheme of Capital Reduction.

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		2016-17	2015-16
<u>Deferred Tax - Liabilities:</u>			
On Depreciation differences		-	-
On Prepaid license fee		15,167	33,495
TOTAL	A	15,167	33,495
<u>Deferred Tax - Assets</u>			
On Depreciation differences		24,056	18,813
On Employees Benefits		21,673	21,074
On unabsorbed tax losses and depreciation		131,846	122,510
TOTAL	B	177,575	162,397
Net Deferred Tax Liabilities / (Assets) [A - B]		(162,408)	(128,902)

Significant Accounting Policies and Notes on Financial Statements

Rs in Thousands

40 Payments made to Directors

Particulars	2016-17	2015-16
Directors' sitting fees	80	85
Managerial Remuneration	*	*
* Remuneration to Managerial Personnel has not been provided		

41 Fixed Assets includes a building with a WDV of Rs. 9,353 (Previous Year: Rs. 9,829) the title of which is under dispute before the Debt Recovery Tribunal and on which an attachment order has been served by the Employees Provident Fund Organization (EPFO). Pending resolution of these issues, the company continues to reckon the Building as an asset in its financial statement.

42 Certain confirmation of balances for Trade Payables, Trade Deposits and Advances, Capital Advances, Imprest Cash, 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

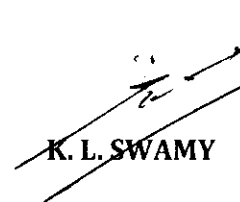
**As per our report of even date
for Rangaraju & Associates**

Chartered Accountants
(Firm Regn No: 6912S)



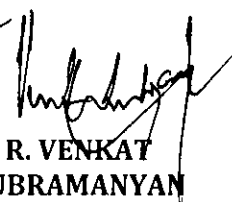
K. L. RAMACHANDRA

Chairman




K. L. SWAMY

Executive Director



**R. VENKAT
SUBRAMANYAN**

Company Secretary & CFO



KRISHNAN RANGARAJU

Partner

Membership No. 18457

Place: Bangalore

Date: 07.06.2017