



BOARD OF DIRECTORS

Mr. K.L. RAMACHANDRA	CHAIRMAN
Mr. K.L. SRIHARI	VICE CHAIRMAN & MANAGING DIRECTOR
Mr. K.L.A. PADMANABHASA	JOINT MANAGING DIRECTOR
Mr. K.L. SWAMY	EXECUTIVE DIRECTOR
Mr. K.S. GIRIDHAR	DIRECTOR
Prof. L.R. VAGALE	INDEPENDENT DIRECTOR
Major Gen. (Retd.) M.K. PAUL	INDEPENDENT DIRECTOR
Mr. D.V. TIKEKAR	INDEPENDENT DIRECTOR
Mr. B.K. RATNAKAR RAO	INDEPENDENT DIRECTOR
Mr. SUDHAKAR SHETTY	INDEPENDENT DIRECTOR
Mr. R. VENKAT SUBRAMANYAN	COMPANY SECRETARY
M/s. RANGARAJU & ASSOCIATES Chartered Accountants Bangalore	AUDITOR
CANARA BANK PUNJAB NATIONAL BANK DHANALAKSHMI BANK	BANKERS
"Brewery House" 7th Mile, Kanakapura Road Bangalore - 560 062 Ph : 080-22956569	REGISTERED OFFICE



NOTICE

Notice is hereby given that the Forty fourth Annual General Meeting of the members of Khoday India Limited, will be held on Thursday, the 30th September 2010 at 10.30 a.m. at # 67, Hotel Vaishnavi Residency, Kanakapura Main Road, Bangalore-560 078, to transact the following business:

Ordinary Business:

- 1) To receive, consider and adopt the audited Balance Sheet as at 31st March 2010 , the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- 2) To appoint a Director in place of Prof. L.R.Vagale who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. Bangra Kulur Ratnakar Rao who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint auditors and fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED that M/s Rangaraju & Associates, Chartered Accountants, Bangalore be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting of the Company on such remuneration as will be fixed by the Board of Directors."

Special Business:

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

RESOLVED THAT pursuant to the provision of section 149(2A) and other applicable provisions, if any of the Companies Act, 1956, the consent of the Company be and is hereby accorded for commencing and undertaking the business activities as embodied in clause 25 of the Other Object Clause III (c) of the Memorandum of Association of the Company as and when deemed fit by the Board of Directors.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds and things as may be deemed expedient and necessary to give effect to this resolution."

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

"RESOLVED that pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded to the Board of Directors of the Company to borrow for the purpose of the Company, a sum or sums of monies (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) not exceeding Rs.250 Crores (Rupees Two hundred and Fifty Crores) over and above the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."

By order of the Board
for Khoday India Limited

Place: Bangalore
Date : 06-09-2010

(R. Venkat Subramanyan)
Company Secretary

KHODAY INDIA LIMITED

Notes:

- A. A member entitled to attend and vote at the annual general meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member of the Company.
- B. A blank Proxy Form and Attendance Slip are enclosed. The instrument appointing the proxy should however, be deposited at the Registered office of the Company not less than 48 hours before the commencement of the Meeting. Members are requested to bring their attendance slip along with copy of the annual report to the Meeting.
- C. An explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed herein.
- D. Members/Proxies are advised to bring their Attendance slip along with their copy of the Annual Report to the Meeting. Members who hold shares in dematerialized form are requested to write their Client ID / DP ID Nos. and those who hold shares in Physical Form are requested to write their Folio No. in the Attendance slip.
- E. In accordance with Article 37 (A) of the Articles of Association of the Company, Prof.L.R.Vagale and Mr.Kulur Bangra Ratnakar Rao, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The particulars of these Directors as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges are provided in the Corporate Governance Report forming part of the Annual Report. The Board of Directors of the Company commend their respective re-appointment.
- F. Members holding shares in electronic form are requested to intimate immediately of any change in their address to their Depository Participants (DPs) with whom they maintain demat accounts. Members holding shares in physical form are requested to advise any change of address immediately to the Company's Registrar M/s.Alpha Systems Private Limited, 30 "Ramana Residency, 4th Cross, Malleswaram, Bangalore – 560 003 ("Alpha Systems")
- G. The Securities and Exchange Board of India (SEBI) has mandated the submission of Income Tax Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit copy of PAN card to their DP. Members holding shares in physical form can submit copy of PAN card to Alpha Systems.
- H. Members holding shares in physical form under more than one folio are advised to have all such shares consolidated into a single folio by sending a request letter to Alpha Systems together with the original share certificates in respect of such multiple folios.
- I. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 24th September 2010 to Thursday, the 30th September 2010 (both days inclusive)

By order of the Board
for Khoday India Limited

Place: Bangalore
Date : 06-09-2010

(R. Venkat Subramanyan)
Company Secretary



EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM NO: 5:

As the members are aware, your company is primarily engaged in manufacturing of Alcoholic Products and related businesses. Your company has also got surplus land bank. As a strategic decision in congruence with our vision, your company intends to utilize the same for creating value addition through Realty Sector. In this regard, your company is in the process of entering into arrangements with potential parties.

As a matter of expediency, approval of the shareholders in General Meeting by way of a Special Resolution is sought to enable the Directors at such time or times as they may consider appropriate and in the interest of the Company to commence and undertake the business activities specified in the sub clause 25 pertaining to Activities as elaborated above, of other objects Clause (III) (C) of the Memorandum of Association of the Company.

As per provisions of section 149 (2A) of the Companies Act, 1956, approval of the shareholders in General Meeting by way of a Special Resolution is required for commencement of any business as set out in the Other Objects clause of the Memorandum of Association.

Your Board recommends the adoption of the resolution for the commencement & undertaking the business activities as stated above.

None of the Directors are concerned or interested in the resolution.

ITEM NO: 6:

At the 35th Annual General Meeting of the members of the Company held on 28th December 2001, the members had authorized the Board of Directors to borrow moneys for the purpose of the Company not exceeding Rs.150 Crores over and above the paid-up capital and free reserves of the Company. To enable the Board of Directors to borrow fund for meeting additional working capital and other requirements, the borrowing powers given to the Board of Directors have to be increased. Necessary resolution is placed before the Members for approval authorizing the Board of Directors to borrow upto Rs.250 Crores (Rupees Two Hundred and Fifty Crores only) over and above the paid-up capital and free reserves of the Company.

Your Board recommends the adoption of the resolution for increasing the borrowing powers.

None of the Directors is concerned or interested in the resolution.

By order of the Board
for Khoday India Limited

Place: Bangalore
Date : 06-09-2010

(R. Venkat Subramanyan)
Company Secretary

KHODAY INDIA LIMITED

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors take pleasure in presenting the 44th Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2010:

FINANCIAL HIGHLIGHTS (Standalone) : (Rs. in Lakhs)

Particulars	2009-2010	2008-2009
1. Gross Income	31785.25	24215.61
Less: Excise Duty	17061.40	11625.22
2. Net Income	14723.85	12590.39
3. Profit Before Tax	(675.18)	(289.09)
4. Provision for Taxation		
Current Tax	-	-
Fringe Benefit Tax	-	29.69
5. Profit after Tax	(675.18)	(318.78)
ADD : Income Tax for the earlier years	131.06	-
LESS : Prior year adjustments	(13.85)	(29.69)
6. Net Profit for the year	(557.97)	(348.47)
7. Appropriation		
Dividend	-	-
Dividend Tax	-	-
8. Balance carried forward	501.17	1059.14
	501.17	1059.14
9. EPS – basic & diluted	(1.48)	(0.93)

REVIEW OF PERFORMANCE:

Even though your Company's gross income has registered an increase of about 31% over the previous year, a loss of Rs.5.57 Crores has been incurred during the year mainly on account of hike in the quantum of excise duty payment owing to enhanced rates of duty and considerable increase in the overall cost of production. However, there is a significant increase in the value of stock under maturation process, the revenue from which will be realized in due course.

DIVIDEND:

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

DIRECTORS:

In accordance with Article 37(A) of the Articles of Association of the Company, Prof. L.R.Vagale and Mr.Bangra Kulur Ratnakar Rao, Directors retire by rotation and being eligible have offered to be re-appointed.

AUDITORS :

M/s Rangaraju & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a letter from them to the effect that their reappointment, if made, would be within the prescribed limits u/s 224(1B) of the Companies 1956, and that they are not disqualified for such reappointment within the meaning of Section 226 ibid.



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

The information required to be furnished Under Section 217(1)(e) of the Companies Act, 1956, is at Annexure 'A'.

PARTICULARS OF EMPLOYEES UNDER THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

A statement containing the particulars of employees in terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 is attached as Annexure 'B' and forms an integral part of this Report.

INDUSTRIAL RELATIONS:

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

CORPORATE GOVERNANCE:

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

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors further report that:-

- i. in the preparation of the annual accounts, the applicable accounting standards had 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 2010 and of the loss of the Company for the period ended 31st March 2010;
- iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS:

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

for and on behalf of the Board of Directors
for KHODAY INDIA LIMITED

Date: 06-09-2010
Place: Bangalore

K.L. RAMACHANDRA
CHAIRMAN

KHODAY INDIA LIMITED

Annexure "A" to Directors' Report

Information pursuant to Section 217(1)(e) of the Companies Act, 1956

FORM – A (See Rule 2)

1. Conservation of Energy :-

- Optimum plant load factor was ensured during the manufacturing cycle resulting in considerable savings in energy costs.
- Procurement of power from private producer at competitive prices resulted in savings in power costs.
- Fans, lights and other electrical devices were switched off when not in use thereby achieving energy saving to a considerable extent.
- Replacement of capacitors resulted in better power factor and the resultant savings in power costs.

PARTICULARS	31-03-2010	31-03-2009
	Glass	Glass
A. POWER & FUEL CONSUMPTION		
– Electricity		
(a) Units Purchased KWH	7172560	6912540
Amount (Rupees in '000s)	35669	31998
Rate per Unit (in Rs.)	4.97	4.63
(b) Own Generation :		
Through Diesel Generators		
Units Produced KWH	16470	127809
Rate per Unit (in Rs.)	12.48	12.58

B. CONSUMPTION PER UNIT OF PRODUCTION

	Electricity		Furnace Oil		LP Gas		HSD Oil	
	31-3-2010	31-3-2009	31-3-2010	31-3-2009	31-3-2010	31-3-2009	31-3-2010	31-3-2009
Glass / MT	539.27 units	459.42 units	295.40 Ltrs	231.46Ltrs	26.62 Kgs	25.42 Kgs	3.71 Ltrs	4.59 Ltrs

FORM – B (See Rule 2)

2. RESEARCH AND DEVELOPMENT EFFORTS :

No significant Research and Development activities were undertaken by the Company during the year.

3. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

a) Significant improvement in achieving better oil to glass ratio continues to be made as part of overall plans for improving better productivity through innovative adaptation of KTG Technology of United Kingdom.

b) Imported Technologies have been fully absorbed.

4. Foreign Exchange Earnings & Out Go

[in Rs. 000s]

PARTICULARS	31-03-2010	31-03-2009
A. FOREIGN EXCHANGE OUT GO	3211	1743
B. FOREIGN EXCHANGE EARNINGS	8062	4866



Annexure "B"

INFORMATION REQUIRED TO BE FURNISHED UNDER THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Name of employee	Designation	Remuneration recd. during the financial year 1st April 2009 to 31st March 2010 in Rs: (inclusive of perquisites)	Nature of employment, i.e whether contractual or otherwise	Other terms and conditions of employment	Qualifications & experience (no. of years)	Date of commencement of employment	Age of the employee	The last employment held before joining the Company	No. of equity shares of the Company held by the employee in his name, in the name of spouse & dependent children
Satpal Chaudhry	Chief Operations Officer-Sales & Marketing,	28,55,520/-	Contractual	As per Service Rules of the Company	M.Tech (Industrial), B.E. (Mechanical) 40 years	01 st March 2007	63 yrs	C.E.O" Himmel Breweries Limited, Delhi	NIL
K. Srikishen	Vice President (Corporate)	28,06,935/-	Contractual	As per Service Rules of the Company	Practical and Technical Experience in Alcoholic Industry 45 years	01 st January 1965	70 yrs	-	300

Notes: The above mentioned employees are not related to any of the Directors of the Company.

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ANNEXURE TO DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS

- 1. 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% during the year and your Company has kept pace with this rate of growth. The Company's premium brands of IMFL such as "Peterscot" & "Red Knight Select" and "Red Knight Reserve" brands of whisky enjoy market share of about 2%. The product distribution in most states is managed through the respective State Beverages Corporation.
- 2. Opportunities and threats:** Though the alcoholic beverages Industry in general was by and large spared of the slow down following global recession, the recovery in various sectors of Economy has had a positive impact on the growth of the Industry. The projected GDP growth of 8.5% for 2010-11 provides the right impetus for the continued growth momentum of alcoholic beverages industry. 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.
- 3. Segment wise/ product wise performance:** The revenue for the Company was generated through business operations in the product segments of Liquor, Glass & "Others" comprising miscellaneous activities. The Liquor segment clocked a revenue of Rs.290.55 Crores during the year registering an increase of Rs. 75.40 Crores over the previous year. The revenue generated from the Glass segment is Rs.22.63 Crores, which represents a decrease of about 8% year on year. Similarly, the miscellaneous operations ("Others" segment) registered a revenue of Rs.1.94 Crores accounting for a decrease of Rs.0.13 Crores year on year.
- 4. Outlook:** The IMFL segment of the industry in particular is expected to register a growth of about 10% and your Company has plans to improve sales volumes during 2010-11 by around 15% year on year.

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:- Being in the non-priority sector under the Government policy, the Company faces the twin risk of timely availability of funds in adequate measure as also the high the cost of borrowing from 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.
5. **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.
6. **Financial performance vis-à-vis Operational performance:** Despite the challenging environment, the Company has been able to record a modest increase in gross income of about 31% year on year. However, the substantial increase of about 47% in Excise Duty payment and the overall increase in the cost of production has adversely impacted the performance. The huge increase in the inventory of stocks is due to long maturation process inherent to alcoholic beverages.
7. **Material development in human resources / industrial relations front:** The Company has embarked on 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.
8. **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.

KHODAY INDIA LIMITED

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF 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 3 committees of the Board viz., Audit Committee, Share Transfer & Investors' Grievances Committee & Remuneration Committee meet regularly to transact business in respect of all matters entrusted to them.

2. BOARD OF DIRECTORS:

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

Composition :

The Board presently comprises 10 Directors of which 3 are Executive Promoter Directors, 2 are Non-executive Promoter Directors and 5 are Independent Non-executive Directors. The Company has a Non-executive Chairman.

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

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

Name of Directors	Designation	Category	No. of Board Meetings attended	Attendance at the last AGM held on 30 th September 2009	No. of directorships in public companies other than Khoday India Limited	No. of member ships held in Committees of the Board of Khoday India Limited
Mr. K.L. Ramachandra	Chairman	Promoter-Non-Executive	6	Present	8	1-Member
Mr. K.L.Srihari	Vice Chairman & Managing Director	Promoter-Executive	6	Present	11	1-Member
Mr. K.L.A. Padmanabhasa	Joint Managing Director	Promoter-Executive	6	Present	9	-
Mr. K.L.Swamy	Executive Director	Promoter-Executive	6	Present	8	1-Member
Prof.L.R.Vagale	Director	Independent-Non Executive	6	Present	-	1-Chairman 1-Member



Name of Directors	Designation	Category	No. of Board Meetings attended	Attendance at the last AGM held on 30 th September 2009	No. of directorships in public companies other than Khoday India Limited	No. of member ships held in Committees of the Board of Khoday India Limited
Maj. Gen. (Retd.) M.K. Paul	Director	Independent-Non Executive	6	Present	-	1-Chairman 1-Member
Mr. Dattaraya Vishwanath Tikekar	Director	Independent-Non Executive	2	Present	1	-
Mr. Khoday Swamy Giridhar	Director	Promoter – Non Executive	6	-	2	1-Chairman
Mr. Bangra Kulur Ratnakar Rao	Director	Independent-Non Executive	3	Present	1	-
Mr. Sudhakar Shetty	Director	Independent – Non Executive	5	Present	1	2- Member

During the financial year 2009-2010, 6 Board meetings were held viz., on 30-04-2009, 31-07-2009, 31-8-2009, 30-09-2009, 20-11-2009 & 29-01-2010.

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

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

- (i) Prof.Lakshmansa Ramachandrasa Vagale (Prof.L.R.Vagale) has been an Independent Director of the Company since his appointment on 31st July 2003. Prof. Vagale who is of 87 years age holds Master's Degree in Science and Bachelor's Degree in Civil Engineering with specialization in Town Planning Architecture and Urban Housing. Prof.Vagale has held the positions of Project Manager and Chief Technical Adviser for various projects of the United Nations Organization. Prof.Vagale is a member of the Audit Committee and the Remuneration Committee of the Board of Directors of the Company.

Prof.Vagale does not hold any shares in the Company as on 31st March 2010 as well as on 6th September 2010.

- (ii) Mr.Bangra Kulur Ratnakar Rao (B.K.R. Rao) has been an Independent Director of the Company since his appointment on 15th February 2008. Aged 68 years, Mr.B.K.R.Rao holds Master's Degree in Bio-Chemistry from Madras University. Mr.B.K.R. Rao began his career as an Assistant Professor of Chemistry and later joined the Indian Police Service during the years 1961, where he held positions in the State Police, Intelligence Bureau, Research and Analysis Wing, External Affairs Ministry and Indian Missions in Singapore and U K., before retiring as Secretary (Security) Government of India. Mr.B.K.R.Rao was a Member of National Security Advisory Board during the year 2003 and also served as a Member on the Advisory Board for Bank, Commercial and Financial Frauds from June 2003 to June 2007. The Organizing Committee of the upcoming

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and prestigious Common Wealth Games- Delhi 2010 had appointed Mr.B.K.R.Rao as Advisor-Security.

Mr.B.K.R.Rao is a recipient of the Police Medal and the President's Police Medal for exemplary service.

Mr.B.K.R. Rao does not hold any shares in the Company as on 31st March 2010 as well as on 06th September 2010.

3. AUDIT COMMITTEE:

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

The Audit Committee presently comprises 4 members viz., Sri.K.L.Ramachandra – Non-Executive Director and three other Independent Directors viz. Prof.L.R.Vagale, Maj.Gen.M.K.Paul & Mr.Sudhakar Shetty. The Company Secretary acts as the Secretary to the Committee. The Committee elected Mr.L.R.Vagale, Member of the Audit Committee, an Independent Director to act as its Chairman. The Audit Committee Meetings were held on 30-04-2009, 31-07-2009, 31-08-2009, 21-11-2009 & 29-01-2010.

Name of Members	Designation	Category	No. of Audit Committee Meetings attended
Mr. K.L. Ramachandra	Member	Promoter-Non-Executive	5
Prof. L.R. Vagale	Chairman	Independent-Non Executive	5
Maj. Gen. (Retd.) M.K.Paul	Member	Independent-Non Executive	5
Mr. Sudhakar Shetty	Member	Independent - Non Executive	4

4. REMUNERATION COMMITTEE:-

The Board at its meeting held on 31st August 2009 has constituted the 'Remuneration Committee' for the purpose of considering and fixing the payment of remuneration to Whole-time Directors.

The three Independent Non-executive Directors viz., Maj.Gen.(Retd.) M.K.Paul, Prof.L.R.Vagale & Mr.Sudhakar Shetty are the Members of the Committee.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

The Share transfer Cum Investors' Grievance Committee comprises 3 Directors viz. Mr.K.S.Giridhar, Mr.K.LSrihari & Mr.K.L.Swamy. The members of the Committee have elected Sri.K.S.Giridhar, Non-Executive Director to act as its Chairman. Mr.R.Venkat subramanyan, Company Secretary is the Compliance Officer.

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During the year, the Company were received 4 complaints from shareholders all of which were redressed to the satisfaction of shareholders within 30 days of receipt.

6. GENERAL BODY MEETINGS:

Particulars of last three Annual General Meetings held:

AGM	Financial year ended	Venue	Date	Time	Special Resolution
43 rd	31-3-2009	Hotel Vaishnavi Residency, Bangalore	30-09-2009	11.00 a.m.	Yes
42 nd	31-3-2008	Hotel Vaishnavi Residency, Bangalore	30-12-2008	10.30 a.m.	Yes
41 st	31-3-2007	Shravanti Kalyana Mantapa, Bangalore	17-12-2007	12.00 noon	Yes

POSTAL BALLOT:

No resolution was passed through postal ballot, at the previous Annual General Meeting held on 30th September 2009. So also, no special resolution is proposed to be considered through postal ballot at the ensuing Annual General Meeting scheduled to be held on 30th September 2010.

DISCLOSURES:

- (i) Attention of the Members is drawn to the disclosures of transactions with related parties as set out in the Notes on Accounts – Schedule 22, forming part of this Annual Report. The Company's related party transactions are generally with the 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 Meeting of the Board and the Committees thereof, as detailed below.

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Sl.No.	Name of the Director (Non-Executive)	Sitting Fees paid during the year
1.	Mr. K.L. Ramachandra	Rs. 11,000/-
2.	Prof. L.R. Vagale	Rs. 12,000/-
3.	Maj. Gen. (Retd.) M .K. Paul	Rs. 12,000/-
4.	Mr. D.V. Tikekar	Rs. 1,000/-
5.	Mr. Khoday Swamy Giridhar	Rs. 6,000/-
6.	Mr. Bangra Kulur Ratnakar Rao	Rs. 3,000/-
7.	Mr. Sudhakar Shetty	Rs. 10,000/-

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 seven Non-Executive Directors only Mr.K.L.Ramachandra who is also the Chairman and Mr.Khoday Swamy.Giridhar hold 61,45,899 and 72,000 shares of the Company in their name respectively. The other Non-Executive Directors viz., Prof.Vagale, Maj.Gen(Retd.) M.K.Paul, Mr.D.V.Tikekar, Mr.Bangra Kulur Ratnakar Rao & Mr.Sudhakar Shetty do not hold any shares of the Company in their name.

iii) The Company has complied with the requirements of regulatory authorities on capital markets and no penalties/strictures have been imposed during the last three years.

iv) CEO/CFO Certification: The Managing Director has Certified to the Board of Directors, inter-alia, the accuracy of financial statements and adequacy of internal controls for financial reporting purpose as required under Clause 49 (V) of the Listing Agreement for the year ended 31-03-2010.

Compliance with mandatory requirements under Clause 49:-

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

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

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

ii) The Company has constituted the 'Remuneration Committee' for the purpose of considering payment of remuneration to Whole-time Directors.

iii) During the year under review, there was no audit qualification in the financial statements.

7. MEANS OF COMMUNICATION:

i. The statements of quarterly financial results are furnished to the Stock Exchanges through facsimile transmission (fax) immediately after conclusion of the Board Meeting and also through courier in compliance with the requirement under the Listing Agreement.



- ii. The financial results are published in the English daily Financial Express” and Kannada daily “Samyukta Karnataka”.
- iii. The financial results were also duly filed on the EDIFAR website in compliance with the requirement specified by SEBI.
- iv. The Company’s Balance Sheet is posted on the website “khodays.com”.
- v. The Company’s Annual Report containing inter-alia Directors’ Report, Auditor’s Report, Audited Annual Accounts and other important information is circulated to the Members and others entitled thereto.
- vi. Printed copies of the Chairman’s Address are distributed among the Members attending the Annual General Meeting.

8. GENERAL SHAREHOLDER INFORMATION:

- i. The 44th Annual General Meeting is scheduled to be held on Thursday, the 30th September 2010 at 10.30 a.m. at # 67, Hotel Vaishnavi Residency, Kanakapura Main Road, Bangalore-560 078.(No special resolution is proposed to be passed though postal ballot at the AGM).
- ii. Financial year : 1st April 2009 to 31st March 2010
- iii. Book Closure Date : 24th September 2010 to 30th September 2010 (both days inclusive).
- iv. Dividend Payment Date : No dividend payment is proposed.
- v. Shares of the Company Listed at :-
 - a. Bombay Stock Exchange Ltd,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400 001
Phone No: 022-2721234
 - b. Bangalore Stock Exchange Ltd
Stock Exchange Towers,
51, 1st Cross, J C Road
Bangalore-560 027
Phone No: 41575262
 - c. Madras Stock Exchange Ltd
“Exchange Building”
11, Second Line Beach
Chennai-600 001
Phone No: 044-5228951

The Annual Listing Fee for the year 2009-10 has been paid to all the 3 Stock Exchanges.

- vi. Company’s Stock Code : 507435 (BSE)

KHODAY INDIA LIMITED

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

Month	Share Price		BSE Sensex	
	High	Low	High	Low
April-09	43.50	24.25	11492.10	9546.29
May-09	53.70	33.05	14930.54	11621.30
June-09	73.05	52.55	15600.30	14016.95
July-09	58.45	40.15	15732.81	13219.99
Aug-09	65.35	47.00	16002.46	14684.45
Sept-09	75.25	60.65	17142.52	15356.72
Oct-09	66.00	51.00	17493.17	15805.20
Nov-09	62.40	46.75	17290.48	15330.56
Dec-09	65.00	56.80	17530.94	16577.78
Jan-10	79.25	56.15	17790.33	15982.08
Feb-10	63.75	55.05	16669.25	15651.99
Mar-10	65.90	54.40	17793.01	16438.45

viii. Registrar and Share Transfer Agent:

M/s.Alpha Systems Private Limited,
30, Ramana Residency,
4th Cross, Sampige Road,
Malleswaram, Bangalore-560 003
Tel: 080-23460815 / Fax No:080-23460819

ix (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.Alpha Systems Private 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 Share Transfer Cum Shareholders/Investor Grievances Committee of the Board of Directors. Upon conveying of the said approval, the share certificates are endorsed with share transfer / transmission details and despatched by the Registrar to the transferees / beneficiaries within 1 month of receipt of the documents as required under Clause 3 (c) of the Listing Agreement with the Stock Exchanges. Requests for dematerialization of shares are processed and the confirmation in that regard are conveyed to Depositories within 15 days of receipt. All routine correspondence connected with share transfers / transmissions etc. are attended to by the Registrar. The Company representative periodically visits the Registrar's office to monitor the work entrusted.

ix(b). Secretarial Audit:

- Pursuant to Clause 47 (c) of the Listing Agreement with the Stock Exchanges, Certificates on half yearly basis, have been issued by a Company Secretary in Practice for due compliance of Share transfer



formalities by the company.

- The Practicing Company Secretary carried out the Secretarial Audit to reconcile the total admitted capital with National Securities Depositories Limited (NSDL) & Central Depository Securities Limited (CDSL) and the total issued and listed capital. The Audit confirms that the total issue / paid-up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialized form.
- Pursuant to SEBI (Depositories & Participants) Regulations 1996, Certificates have also been received from a Practicing Company Secretary for dematerialization of the Company's shares and for conducting a Secretarial Audit on a quarterly basis for reconciliation of the share capital of the Company.

x) Distribution of Shareholding:-

a) Shareholding Pattern as on 31st March 2010:-

Category	No. of Share holders	No. of Shares held	% of Shareholding
Individuals (including NRIs)	16936	3522448	9.37
Companies	229	345915	0.92
Promoters and Associated Companies	48	33660216	89.54
FII/Foreign Nationals	1	2000	0.01
Mutual Funds, FIs, Banks	8	4527	0.01
NSDL/CDSL Clearing Member	37	56131	0.15
Total	17259	37591237	100.00

b) Distribution of shareholding by size as on 31-03-2010:-

Range of Shares	No. of Share holders	% of Share holders	No. of Shares Held	% of Shareholding
1 - 500	16409	95.08	1983107	5.28
501 - 1000	404	2.34	319315	0.85
1001 - 2000	192	1.11	294627	0.78
2001 - 3000	65	0.38	163695	0.44
3001 - 4000	30	0.17	106619	0.28
4001 - 5000	31	0.18	144626	0.38
5001 -10000	52	0.30	370709	0.99
10001 & ABOVE	76	0.44	34208539	91.00
Total	17259	100.00	37591237	100.00

KHODAY INDIA LIMITED

xi. Dematerialization of shares and liquidity :

Equity shares of the company being in the compulsory dematerialized segment, their trading is facilitated through both the Depository Systems in India, viz., NSDL and CDSL. The International Securities Identification Number (ISIN) allotted for the Company's shares under the Depository System is INE687B01014-KIL-EQ. Shareholders holding shares in dematerialized form are required to enter into correspondence with the concerned Depository Participants. 23,77,212 No. of shares were traded on BSE during the year.

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

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

xiii. Address for correspondence: Khoday India Limited
"Brewery House",
7th Mile, Kanakapura Road,
Bangalore-560 062.
Tel : 080-22956569
Fax : 080-22956570



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** for the year ended 31st March 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We state that, as at 31st March 2010, no investor's grievances were pending for a period exceeding one month against the company as per the records maintained by the company and produced for our verification.

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.

Place : Bangalore
Date : 06-09-2010

For Rangaraju & Associates
Chartered Accountants
(Firm Regn No.6912S)

Krishnan Rangaraju
Partner
Membership No. 18457

KHODAY INDIA LIMITED

REPORT OF THE AUDITOR

To the Members of Khoday India Limited

1. We have audited the attached Balance Sheet of **Khoday India limited** as at 31st March 2010, the Profit and Loss account and also the Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, We enclose in the *Annexure* a statement on the matters specified in paragraphs 4 and 5 of the said Order
4. Further to our comments in the *Annexure* referred to above, We report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - c. The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash flow Statement dealt with by this report comply with the applicable Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - e. In our opinion, on the basis of the information and explanations given to us and written representation received from the directors, as on 31st March 2010 and taken on record by the Board of Directors, We report that none of the Directors are disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
5. In our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with the notes thereon and Accounting Policies give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2010,
 - b. In the case of the Profit and Loss Account, 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.

Place : Bangalore
Date : 06-09-2010

For Rangaraju & Associates
Chartered Accountants
(Firm Regn No.6912S)

Krishnan Rangaraju
Partner
Membership No. 18457



ANNEXURE TO THE AUDITOR'S REPORT.

(Referred to in Para 3 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 fixed assets disposed off during the year were not substantial so as to affect the going concern status of the Company.
- ii. (a) As explained to us, Inventories have been physically verified by the management at reasonable intervals during the year. The stocks in possession of the third parties have been confirmed by them.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of inventories and we have been informed that no material discrepancies were noticed on physical verification.
- iii. (a) The company has not granted any Loans, secured or unsecured to Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted any loans, Clauses (iii) (b), (iii) (c) and (iii) (d) of paragraph 4 of the Companies (Auditors Report) order, 2003 are not applicable to the Company.
- (e) The Company has not taken loans, secured or unsecured, from companies and firms which have been listed in the register maintained under section 301 of the Companies Act, 1956
- Further, the company has taken unsecured Interest free loan from four Directors' of the company and the maximum amounts outstanding at any time during the year are Rs 972.96 Lakhs and the year end balance of such loan is Rs.843.90 Lakhs.
- (f) In our opinion, according to the information and explanation given to us, the loan taken from the Directors are interest free, and the terms and conditions are not, prima facie, prejudicial to the interest of the Company.
- (g) Since there is no stipulation as to the repayment of principal and interest, we are of the opinion that there is no irregularity in the repayment of these loans.
- iv. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under that section have been so entered.

KHODAY INDIA LIMITED

(b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the companies Act, 1956 and exceeding the value of Rs 5 lakhs in respect of each party have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time, where the market price is available.

- vi. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act and the rules framed there under.
- vii. In our opinion, the company has an internal Audit system commensurate with its size and nature of business.
- viii. We have broadly reviewed the books of accounts maintained by the company in respect of Industrial Alcohol and paper products pursuant to the Rules made by Central Government for the maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956, and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained by the company.
- ix. (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 Wealth Tax, Service Tax, Income Tax, Tax collected at source, Custom Duty, Value Added Tax / Sales tax, Excise Duty, Cess and other material statutory dues with the appropriate authorities except certain amount towards Tax deducted at source where it is not regular.

(b) According to information and explanation given to us, excepting for Rs. 0.16 Lakhs towards TDS, there are no other undisputed amounts payable in respect of statutory dues which have remained outstanding as at 31st March 2010 for a period of more than six month from the date they became payable. However, the entire dues have been paid subsequently.

(c) 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 sales Tax which have not been deposited on account of dispute before the forum mentioned there against.

Name of the Statute	Nature of Dues & related Period	Rupees in Lacs	Forum where dispute is pending.
Karnataka Sales Tax Act, 1957	Sales tax, Entry Tax and penalty for F.Y. 2002-03	20.96	Joint Commissioner of Commercial Taxes (Appeal) Bangalore.

- i. The company does not have any accumulated losses at the end of the financial year. The company has incurred cash losses during the financial year but not in the immediately preceding financial year.
- ii. 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.
- iii. According to the information and explanations given to us, the company has not granted any loans and advances secured by pledge of shares, debentures and other securities.
- iv. In our opinion, the company is not a chit fund or a nidhi or a mutual fund society. Therefore the provision of clause 4 (xiii) of the companies (Auditor's Report) Order, 2003 are not applicable to the company.



- v. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- vi. According to the information and explanation given to us, the company has not given any guarantee for the loans taken by others from banks or financial institutions.
- vii. 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.
- viii. Based on the information and explanations given to us and overall examination of the Balance sheet of the company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment.
- ix. According to the information and explanation given to us, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the companies Act, 1956 during the year.
- x. According to the information and explanations given to us, the company has not issued any debentures during the year.
- xi. The company has not raised any money by way of public issue during the year.

During the course of examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we report that no case of fraud on or by the company has been noticed or reported during the year under audit.

Place : Bangalore
Date : 06-09-2010

For Rangaraju & Associates
Chartered Accountants
(Firm Regn No.6912S)

Krishnan Rangaraju
Partner
Membership No. 18457

KHODAY INDIA LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2010

[Rupees in Thousands]

PARTICULARS	Schedule No.	As at 31-03-2010	As at 31-03-2009
SOURCES OF FUNDS			
1. SHARE HOLDERS' FUNDS			
[a] Share Capital	1	375,912	375,912
[b] Reserves & Surplus	2	715,668	763,077
2. LOAN FUNDS			
[a] Secured Loans	3	1,161,117	962,023
[b] Unsecured Loans	4	84,390	101,844
TOTAL:		2,337,087	2,202,856
APPLICATION OF FUNDS			
3. FIXED ASSETS			
[a] Gross Block	5	1,464,222	1,448,774
[b] Less: Depreciation		992,607	944,260
[c] Net Block		471,615	504,514
[d] Work in Progress		72,129	63,515
4. INVESTMENTS			
	6	618,322	620,394
5. CURRENT ASSETS, LOANS & ADVANCES			
[a] Inventories	7	833,218	688,422
[b] Sundry Debtors	8	384,561	302,965
[c] Cash & Bank Balances	9	75,260	75,684
[d] Other Current Assets	10	1,293	484
[e] Loans & Advances	11	527,627	450,955
		1,821,959	1,518,510
6. LESS: CURRENT LIABILITIES & PROVISIONS			
[a] Current Liabilities	12	605,957	466,421
[b] Provisions	13	40,981	37,656
		646,938	504,077
7. NET CURRENT ASSETS			
		1,175,021	1,014,433
TOTAL :		2,337,087	2,202,856

Significant Accounting Policies and Notes on Accounts 21

The schedules referred to above form an integral part of the Balance Sheet

for and behalf of the Board

K. L. RAMACHANDRA
Chairman

K. L. SRIHARI
Vice - Chairman &
Managing Director

As per our report of even date

for Rangaraju & Associates
Chartered Accountants
Firm Regn. No. 6912S

Place: Bangalore
Date : 06-09-2010

R. VENKAT SUBRAMANYAN
Company Secretary

KRISHNAN RANGARAJU
Partner
Membership No. 18457

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT - YEAR ENDED 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED		
4,50,00,000 (Previous year 4,50,00,000) Equity Shares of Rs.10/- each	450,000	450,000
ISSUED		
3,81,34,237 (Previous year 3,81,34,237) Equity Shares of Rs 10/- each	<u>381,342</u>	<u>381,342</u>
SUBSCRIBED AND PAID UP		
3,75,91,237 (previous year 3,75,91,237) Equity Shares of Rs.10 each fully paid up (Including the following shares issued for consideration other than cash ; 64,50,000 Equity Shares allotted as fully paid Bonus Shares by capitalisation of Reserves; 1,11,048 Equity Shares allotted to Share holders of erstwhile Manaylux Paper Board Pvt Ltd in terms of scheme of amalgamation sanctioned by High Court of Karnataka in the financial year 2000-2001; and 2,30,76,923 Equity shares allotted to Share holders of erstwhile Khoday Systems Limited in terms of scheme of amalgamation Sanctioned by High Court of Karnataka in the financial year 2003-2004)	<u>375,912</u>	<u>375,912</u>
Total...	<u>375,912</u>	<u>375,912</u>
SCHEDULE - 2		
RESERVES AND SURPLUS		
CAPITAL RESERVE		
As per last Balance Sheet	190,918	190,918
Add: Transferred from Revaluation Reserve - Refer Note - 21)	<u>25,268</u>	<u>-</u>
As at the end of the financial year	<u>216,186</u>	<u>190,918</u>
CAPITAL REDEMPTION RESERVE		
As per last Balance Sheet	<u>531</u>	<u>531</u>
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	<u>115,463</u>	<u>115,463</u>
GENERAL RESERVE		
As per last Balance Sheet	184,379	134,379
Add : Transferred from Debenture Redemption Reserve	<u>-</u>	<u>50,000</u>
As at the end of the financial year	<u>184,379</u>	<u>184,379</u>
REVALUATION RESERVE		
As per last Balance Sheet	165,871	186,729
Add : Addition during the year - (Refer Note - 21)	<u>15,988</u>	<u>-</u>
Less : Transferred to Profit & Loss Account	<u>7,599</u>	<u>20,858</u>
Transferred to Capital Reserve	<u>25,268</u>	<u>-</u>
As at the end of the financial year	<u>148,992</u>	<u>165,871</u>
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	-	50,000
Less : Transferred to General Reserve	<u>-</u>	<u>50,000</u>
As at the end of the financial year	<u>-</u>	<u>-</u>
PROFIT & LOSS ACCOUNT		
Surplus from Profit & Loss Account	<u>50,117</u>	<u>105,915</u>
Total...	<u>715,668</u>	<u>763,077</u>

44th Annual Report 2009 - 2010



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT - YEAR ENDED 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 3		
SECURED LOANS :		
a. From Banks - i - Cash Credits	748,124	617,121
ii - Term Loans	395,097	327,871
iii - Hire Purchase	8,122	8,982
b. Other Loans & Advances		
i - Hire Purchase	1,917	493
ii - From Others	1,669	1,669
c. Interest Accrued and Due	6,188	5,887
Total	1,161,117	962,023

(a) (i) Cash Credits from Banks have been secured by a first charge by way of Hypothecation of Stock of Raw materials, Semi finished, Finished goods, other packing materials, Bills receivables and book debts and other Moveable property of Distillery Division on pari pasu basis and Equitable Mortgage of properties of the company ; and of Private Limited , Trust, and firms in which some of the directors are interested / trustees/ partners and Further secured by the immovable property of some the Directors and their relatives and by personal guarantee of some of the directors and their relatives and corporate guarantees of some entities in which the directors are interested.

(a) (ii) Term Loan from banks includes

(1) Rs. Nil (Previous Rs 11.62 Lacs) secured by personal guarantee of the directors and their relatives and further secured by first charge by way of mortgage of immovable properties of a firm in which some of the directors are partners and further secured by first charge by way of mortgage of the immovable property of a trust in which some of the Directors are Trustees and further secured by a building of the company.

(2) Rs 931.57 lacs (Previous Year Rs 1753.14 lacs) secured by personal guarantee of the directors and their relatives and further secured by first charge by way of mortgage of immovable property of a company in which some of the directors are members and further secured by first charge by way of mortgage of the immovable property of a trust in which some of the Directors are Trustees and further secured by land and building of a division of the company and further secured by personal guarantee of some of the Directors.

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT - YEAR ENDED 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
-------------	---------------------	---------------------

(3) Rs 3019.40 Lacs (Previous Year Rs 1513.95 Lacs) secured by hypothecation of Maturation stock and further secured by first charge by way of mortgage of immovable property of a company in which some of the directors are members and further secured by first charge by way of mortgage of the immovable property of a trust in which some of the Directors are Trustees and further secured by land and building of a division of the company and further secured by personal guarantee of some of the Directors.

(a) (iii) Hire Purchase loans from banks Rs 81.22. Lacs (Previous year Rs 89.82. Lacs) is secured by hypothecation of vehicles.

(b) Other Loans & Advances includes Rs 19.17 Lacs (Previous year Rs 4.92 Lacs) secured by hypothecation of vehicles and Rs 16.69 Lacs (Previous Year Rs 16.69 Lacs) secured by the Second Charge on the Plant & Machinery and Land of a Division of the Company.

SCHEDULE -4

UNSECURED LOANS

Others Loans and Advances

- From Directors

84,390 101,844

TOTAL

84,390 101,844

SCHEDULE -5

FIXED ASSETS

SL No.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
		As on 01.04.2009	Additions	Revaluation	Sale / Transfer	As on 31.03.2010	As on 01.04.2009	For the year	With drawn	As on 31.03.2010	As on 31.03.2010	As on 31.03.2009
1	Land	33,417	-	15,988	25,300	24,105	-	-	-	-	24,105	33,417
2	Buildings	407,905	1,824	-	-	409,729	139,940	14,240	-	154,180	255,549	267,965
3	Plant & Machinery	506,947	16,462	-	-	523,409	445,171	11,398	-	456,569	66,840	61,776
4	Furniture & Fixtures Other Office Equipments	382,945	2,111	-	37	385,019	261,658	19,402	30	281,030	103,989	121,287
5	Vehicles	117,560	6,119	-	1,719	121,960	97,491	5,001	1,664	100,828	21,132	20,069
	Total	1,448,774	26,516	15,988	27,056	1,464,222	944,260	50,041	1,694	992,607	471,615	504,514
	Previous Year	1,436,045	13,229	-	500	1,448,774	875,341	69,065	146	944,260	504,514	560,704
6	Capital Work-in-Progress	63,515	8,614	-	-	72,129	-	-	-	-	72,129	63,515
7	Previous Year	60,355	3,160	-	-	63,515	-	-	-	-	63,515	60,355

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SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT - YEAR ENDED 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 6		
INVESTMENTS :		
LONG TERM :		
(A) Govt. Securities	155	256
TOTAL { A }	155	256
(B) QUOTED - EQUITY SHARES (FULLY PAID-UP)		
TRADE INVESTMENTS - LONG TERM :	Face Value of Each Share	No of Shares 31.03.2010 31.03.2009
Excell Glass Limited	10	500 500
United Spirits Ltd.	10	282 282
United Breweries Limited	1	230 230
United Breweries Holding Ltd.	10	562 562
Sub Total	15	15
NON-TRADE INVESTMENTS - LONG TERM :		
Gulf Oil Corporation Limited	2	9,300 1860
Sub Total	7	7
Total.. { B }	22	22
AGGREGATE MARKET VALUE OF QUOTED INVESTMENTS	730	199
(C) UNQUOTED - EQUITY SHARES (FULLY PAID-UP)		
TRADE INVESTMENTS - LONG TERM :		
Alembic Glass Industries Limited	10	33 33
Artos Breweries Limited	10	225 225
Arlem Breweries Limited	10	150 -
Jupiter Breweries Limited	10	300 300
Pilsener Breweries Limited	10	100 100
Punjab Breweries Limited	10	250 250
Himalaya Distilleries Ltd	10	12,500 12500
United Glass Bottles Mfg Co Ltd	10	13,650 13650
Khoday Industries Pvt Ltd	1000	480 480
Sub Total	756	757

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT - YEAR ENDED 31-03-2010

[Rupees in Thousands]

PARTICULARS				As at 31-03-2010	As at 31-03-2009
TRADE INVESTMENTS - LONG TERM :					
GL Hotels Limited	10	900	900	5	5
Kasturi Foods & Chemicals Limited	10	5,000	5000	50	50
MOI Engineering Limited	10	1,400	1400	10	10
Metal Box India Limited	10	365	365	4	4
Modern Syntex (India) Ltd	10	400	400	12	12
Panchakala Malt Limited	10	100	100	1	1
Sub Total				82	82
UNQUOTED - PREFERENCE SHARES (FULLY PAID-UP)					
NON-TRADE INVESTMENTS - LONG TERM :					
Kirlosker Consultants Ltd (15% Redeemable Cumulative Preference Shares)	100	–	5000	–	500
AGGREGATE VALUE OF UNQUOTED INVESTMENTS - (C)				838	1,339
(D) INVESTMENTS IN SUBSIDIARIES : (Shares)					
Khoday Properties Pvt. Ltd.	10	10,000	10,000	100	100
Total.. { D }				100	100
(E) INVESTMENTS IN FIRMS :					
Lakshmi Estate				617,207	618,677
Total.. { E }				617,207	618,677
TOTAL INVESTMENTS AT COST { A+B+C+D+E }				618,322	620,394
SCHEDULE - 7					
INVENTORIES :					
(As valued and certified by the Management)					
Stores, Spares and Fuel				8,198	4,708
Stock in hand - Land				25,300	–
Raw Materials & Goods Purchased for Resale				106,100	106,229
Semi-Finished Goods				610,752	500,986
Finished Goods				82,868	76,499
Total..				833,218	688,422

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SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT - YEAR ENDED 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 8		
SUNDRY DEBTORS :		
(Unsecured, Considered Good in respect of which the company holds no security other than debtors personal security)		
Outstanding for more than Six Months	83,730	77,139
Other Debts	300,831	225,826
(Unsecured, Considered Doubtful)		
Outstanding for more than six months	928	928
LESS: Provision for Doubtful Debts	(928)	(928)
Total..	384,561	302,965
SCHEDULE - 9		
CASH AND BANK BALANCES :		
Cash on hand and in transit	44,663	40,839
Cheques and Drafts in Hand	3,568	140
Balances with Scheduled Banks		
- In Current Account	16,204	21,689
- In Deposit Accounts	10,825	13,016
Total..	75,260	75,684
SCHEDULE - 10		
OTHER CURRENT ASSETS :		
Interest Accrued on Fixed Deposits	1,293	484
Total..	1,293	484
SCHEDULE - 11		
LOANS & ADVANCES :		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	473,862	389,632
(in respect of which the company holds no security other than customers personal security)		
Balance with Excise Authorities	15,210	25,519
Deposit - Others	34,942	35,804
Advance Income Tax (Net of Tax Provision - Rs. 28,100 thousands)	3,613	-
TOTAL	527,627	450,955

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT - YEAR ENDED 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 12		
CURRENT LIABILITIES :		
Sundry Creditors		
- For Trade	72,709	63,830
- For Capital Goods	29,373	28,820
- For Expenses & Others	221,218	110,525
- Due to Micro and Small enterprises	8,145	7,530
Advance from customers	60,389	71,021
Unclaimed dividends	812	821
Other liabilities	213,311	183,874
TOTAL	605,957	466,421
SCHEDULE - 13		
PROVISIONS :		
For Taxation (Net of Advance Tax, Previous year Rs. 35,764 thousands)	—	709
For Retirement Benefits	33,808	28,203
For Excise Duty	7,169	8,740
For Diminution in value of Investment	4	4
TOTAL	40,981	37,656
SCHEDULE - 14		
Distillery	2,905,546	2,151,475
Glass	100,986	112,622
Others	19,390	20,760
Total..	3,025,922	2,284,857
SCHEDULE - 15		
OTHER INCOME		
Interest received		
- On Fixed Deposit (Gross) (TDS Rs 128 thousands Previous Year Rs. 170 thousands)	1,060	1,120
- On Income Tax Refund	14,448	204
Dividend on Investments	27	46
Misc. Income	3,600	1,870
Profit on Sale of Fixed Assets	16	—
Profit on Sale investment	25	3,272
Foreign Exchange Fluctuation Gain	—	8
Sundry Credit balance written back	17,293	38,521
Total..	36,469	45,041

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SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT - YEAR ENDED 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 16		
INCREASE / (DECREASE) IN STOCK		
CLOSING STOCK:		
Finished Goods	82,868	76,499
Semi-finished Goods	610,752	500,986
Total.. {A}	693,620	577,485
OPENING STOCK:		
Finished Goods	76,499	64,544
Semi-finished Goods	500,986	421,276
Total.. {B}	577,485	485,820
Increase / (Decrease) in Stock (A - B)	116,135	91,665
SCHEDULE - 17		
CONSUMPTION OF RAW MATERIALS & PURCHASE FOR RESALE		
OPENING STOCK		
Distillery	97,079	84,886
Glass	8,564	10,057
Goods Purchased for Resale	585	175
Total.. {A}	106,228	95,118
ADD: PURCHASES		
Distillery	515,981	387,955
Glass	176,939	175,124
Purchase for Resale	3,902	2,254
Total.. {B}	696,822	565,333
LESS: CLOSING STOCK		
Distillery	99,328	97,079
Glass	6,544	8,564
Goods Purchased for Resale	228	585
Total.. {C}	106,100	106,228
Consumption and purchase for resale (A+B-C)	696,950	554,223

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT - YEAR ENDED 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 18		
MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES :		
Power, Fuel & Lighting Charges	117,326	78,539
Rent	13,095	11,890
Rates & Taxes	25,424	26,469
Insurance	971	1,977
Repairs & Maintenance :		
- Electrical	1,754	1,673
- Plant & Machinery	15,242	8,956
- Buildings	3,098	1,687
- Vehicles	13,853	11,527
- Others	3,827	5,835
Freight, Octroi & Storage Exps	59,377	51,645
Lease Rent	3,620	14,615
Travelling & Conveyance	25,739	23,023
Printing & Stationery	3,710	4,109
Postage, Telephone & Telegram	5,514	6,333
Books & Periodicals	262	91
Security Service Charges	3,617	7,142
Legal & Professional Charges	32,779	30,770
Directors Sitting Fees	55	79
Auditors Remuneration		
- For Statutory Audit	552	552
Cost Audit Fees	20	20
Donation	2,151	1,189
Commission & Discount on Sales	51,585	57,679
Sales Promotion	55,289	45,540
Advertisement	6,737	6,438
Service Charges	1,684	569
Miscellaneous Expenses	11,478	8,268
Share of Loss in Partnership Firm	1,470	1,044
Irrecoverable advances written off	260	4
Bad Debts	14	-
Loss on sale of asset	-	55
Exchange Variation	211	-
Total..	460,714	407,718

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SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT - YEAR ENDED 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 19		
PERSONNEL EXPENSES		
Salaries, Wages, Gratuity, Bonus and leave encashment	128,685	122,088
Staff Welfare Expenses	12,833	12,825
Contribution to P.F. and Other Funds	9,087	6,435
Total..	<u>150,605</u>	<u>141,348</u>
 SCHEDULE - 20		
INTEREST & BANK CHARGES :		
INTEREST		
On Term Loan	56,665	40,123
On Others	126,340	91,856
BANK CHARGES	6,188	4,473
TOTAL..	<u>189,193</u>	<u>136,452</u>

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010 Significant Accounting policies & Notes on Accounts

PARTICULARS

1. 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 material aspects regarding all accounting standards notified by Companies (Accounting Standard) rules, 2006 and the relevant provisions of the Companies Act, 1956.

(c) Estimates and Assumptions:

Preparation of Financial Statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities 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 semi- finished goods 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, current and other accounts (Including Fixed Deposit) held with banks.

(f) Events occurring after the Balance Sheet Date:

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

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

● **Net Profit for the period:**

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



SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010
Significant Accounting policies & Notes on Accounts

PARTICULARS

- **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 accounted in accordance with Accounting Standard – 5
- (h) **Depreciation Accounting:**
Depreciation has been provided on fixed assets at the rates prescribed in Schedule XIV to the Companies Act 1956, on written down value method except for Plant & Machinery and Building of Distillery Division acquired prior to 31st March 1999 and the assets of Paper Division where the depreciation has been provided on straight line basis. Depreciation on Oakwood barrels has been provided on written down value method @ 20%, based on technical evaluation. Depreciation is provided on pro-rata basis on additions and deletions from the date the assets were put to use and up to the date of sale / transfer, respectively. Plant & Machinery costing Rs.5,000/- and less is depreciated in full.
Certain Fixed Assets has been revalued during the year 1998-99. The depreciation charged on such Revalued assets is transferred from Revaluation reserve to the Profit & Loss Account.
- (i) **Revenue Recognition:**
- Sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which coincides with the dispatch of goods to the customers. Sales are net of returns; sales tax collected and tax collected at source are not included in sales. Sales include excise duty and additional excise duty.
 - Dividend on Investments is accounted in the year in which the right to receive is established.
 - Income from services is recognized in accordance with the terms of the contract.
- (j) **Accounting for Fixed Assets:**
Fixed Assets are stated at cost of acquisition and subsequent improvements thereto, and includes inward freight, duties and taxes and incidental expenses related to acquisition and improvements. 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 Fixed assets, the difference between the written up value of the fixed assets revalued and the carrying amount in books will be 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 on settlement of forex transactions and translation of monetary items is recognized as income or expense in the year in which they arise.
- (l) **Accounting for Investments:**
- Long term investments are valued at cost. Provision is made to recognize a diminution other than temporary, in the value of each long-term investment.

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010 Significant Accounting policies & Notes on Accounts

PARTICULARS

- Current Investments are stated at lower of cost and 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 semi-finished, as these stocks require a substantial period of time to bring them to saleable condition. Other Borrowing Costs are treated as revenue expenditure.
- (o) **Segment Reporting:**
The company has considered business segment as reporting segment and accordingly identified Liquor, Glass, Contract and Systems as reporting business segments. Secondary segmental reporting is performed on the basis of the geographical location of the customers and accordingly segmental revenue is reported as revenue from India and from outside India.
- (p) **Related Party Transactions:**
The related party relationships 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 Profit and Loss Account over the lease term.



SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010
Significant Accounting policies & Notes on Accounts

PARTICULARS

(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.

(t) **Impairment of Asset:**

An asset is treated as impaired when the carrying cost of the assets 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. 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 Balance Sheet.
- Contingent Assets are neither recognized nor disclosed.

(v) **Sundry Debtors / Loans and Advances:**

Sundry Debtors & Loans & 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.

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

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010
Significant Accounting policies & Notes on Accounts [Rupees in Thousands]

PARTICULARS		2009-10		2008-09		
3. Sales Turnover						
S.No.	Particulars	Units	Quantity	Value	Quantity	Value
1.	Distillery - IML	B.L	5,129,857	961,003	4,661,875	860,167
2.	Glass	M.T	13,635		14,817	
	Less: Captive Consumption	M.T	(7,397)		(7,967)	
			6,238	100,986	6,850	112,622
3.	RCA - IML	B.L	7,863,925	1,944,543	4,996,525	1,291,308
4.	Others			19,390		20,760
	Total Sales			3,025,922		2,284,857
	Less: Excise Duty			1,706,140		1,162,523
	Net Sales			1,319,782		1,122,334
4. Particulars of Materials Consumed						
(a) Distillery						
	Barley Malt	Kgs	3,379,695	77,851	2,072,260	54,674
	Rectified Spirit	Lts	1,984,895	81,512	1,954,000	76,179
	Empty Glass Bottles	Nos.	9,640,684	68,317	8,748,032	60,825
	Cartons	Nos.	729,927	38,681	822,064	38,474
	Others			54,553		49,854
				320,914		280,006
	Less: Captive Consumption			65,361		60,051
				255,553		219,955
(b) Glass						
	Soda Ash	M.T	597	11,231	891	16,902
	Cullets	M.T	11,162	34,281	11,844	34,271
	Silica / Quartz Sand	M.T	2,200	3,426	2,925	4,661
	Furnace Oil	Lts	3,928,947	100,998	3,482,700	84,876
	Others			29,023		35,907
				178,959		176,617
				178,959		176,617

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SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010 Significant Accounting policies & Notes on Accounts [Rupees in Thousands]

PARTICULARS		2009-10		2008-09		
S.No.	Particulars	Units	Quantity	Value	Quantity	Value
(c) RCA						
	Rectified Spirit	Lts	4,543,305	152,722	2,561,660	101,705
	Empty Glass Bottles	Nos.	44,824,252	99,416	25,363,573	77,290
	Cartons	Nos.	938,571	16,336	605,404	15,025
	Others			49,658		35,887
				<u>318,132</u>		<u>229,907</u>
	Less: Captive consumption			59,953		74,100
				<u>258,179</u>		<u>155,807</u>
4. Purchase of Goods for resale						
	Distillery	B.L	54,000	4,259	28,980	1,844
				<u>4,259</u>		<u>1,844</u>
	Total Consumption and Purchase for resale			696,950		554,223
5. Inventory – Finished Goods						
Opening Stock						
	Distillery – IML	B.L	359,378	44,425	376,760	47,928
	Glass	M.T	1,024	16,767	794	12,073
	RCA – IML	B.L	164,815	15,307	64,752	4,544
				<u>76,499</u>		<u>64,545</u>
Closing Stock						
	Distillery – IML	B.L	442,593	59,762	359,378	44,425
	Glass	M.T	689	11,495	1,024	16,767
	RCA – IML	B.L	134,313	11,611	164,815	15,307
				<u>82,868</u>		<u>76,499</u>

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS		2009-10		2008-09		
S.No.	Particulars	Units	Quantity	Value	Quantity	Value
6. Licensed and Installed Capacity						
Licensed Capacity						
	Distillery / Brewery / Contact Centre / Contract			N.A		N.A
	Glass		18,000 M.T		18,000 M.T	
	Paper		10,000 M.T		10,000 M.T	
	RCA			N.A		N.A
Installed Capacity						
(Installed Capacities are as certified by the management and not by the Auditor, being a technical matter)						
	Distillery		63,000 K.Lts		63,000 K.Lts	
	Glass		21,900 M.T		21,900 M.T	
	Paper		1,000 M.T		1,000 M.T	
	RCA			N.A		N.A
	Contact Centre			N.A		N.A
	Contract			N.A		N.A
7. Production						
1.	Distillery	B.L	5,166,491		4,622,164	
	Less: Breakages	B.L	(7,419)	5,159,072	(6,651)	4,615,513
2.	Glass	M.T		13,300		15,046
3.	RCA - IML	B.L		7,833,423		5,096,588
8. CIF Value of Imports						
	Raw Materials			3,104		2,603
9. Consumption of Imported and Indigenous Materials and Components						
	Imported		0.58%	4,036	1.09%	6,061
	Indigenous		99.42%	6,92,950	98.91%	548,162

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SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010 Significant Accounting policies & Notes on Accounts [Rupees in Thousands]

PARTICULARS	2009-10	2008-09
10. Expenditure in Foreign Currency		
For Travel	3,211	1,743
11. Earnings in Foreign Currency		
FOB Value of Exports	8,062	4,866

12. Investment in Firms : Lakshmi Estate : Details of of Investment and other partners

Name of the Patners	Total Capital	Share of Parnters	Total Capital	Share of Parnters
1. Khoday India Ltd	617,207	75.00%	618,677	75.00%
2. K.L. Srihari - HUF	50,659	6.25%	50,781	6.25%
3. K.L.Swami - HUF	53,585	6.25%	53,482	6.25%
4. K.L.Ramachandra - HUF	50,659	6.25%	50,781	6.25%
5. K.L.A.Padmanabhasa - HUF	50,659	6.25%	50,781	6.25%
TOTAL	822,769	100%	824,502	100%

13. 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 an expense for the year.

[Rupees in Thousands]

PARTICULARS	2009-10	2008-09
Employer's Contribution to Provident Fund	6,085	5,132

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 are recognized in the Profit & Loss A/c and Balance Sheet as under:

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010 Significant Accounting policies & Notes on Accounts

A. Changes in the present value of the obligations

Particulars	2009-10		2008-09	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Present Value of defined benefit obligation	26,646	1,558	19,257	1,422
Interest Cost	2,129	125	1,541	114
Current service cost	2,646	(206)	7,615	(52)
Add / (Less):				
Actuarial loss/ (gain) on obligations	660	251	(1,767)	74
Present value of defined benefit obligation	32,081	1,727	26,646	1,558

B. Amount recognized in Balance Sheet

Present value of defined benefit obligation	32,081	1,727	26,646	1,558
Add / (Less):				
Unrecognized past service cost	-	-	-	-
Unrecognized transitional liability	-	-	-	-
Unfunded net liability / (asset) recognized in Balance Sheet	32,081	1,727	26,646	1,558
Present value of defined benefit obligation	32,081	1,727	26,646	1,558

C. Expenses recognized in the Profit & Loss Account

Current service cost	2,646	(206)	7,615	(52)
Interest cost	2,129	125	1,541	114
Add / (Less):				
Net Actuarial loss/(gain) recognized in the year	660	251	(1,767)	74
Net benefit expense	5,435	169	7,389	136

**SCHEDULE - 22**
Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010
Significant Accounting policies & Notes on Accounts

Particulars	2009-10		2008-09	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
D. Principal Actuarial assumption at the Balance sheet date				
Discount rate	8%	8%	9%	9%
Rate of escalation in salary	4% for Staff 2% for Workers	4% for Staff 2% for Workers	4% for Staff 2% for Workers	4% for Staff 2% for Workers
Mortality rate	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate
Expected Average Remaining working lives of Employees	15	15	16	16
Method used	PUCM	PUCM	PUCM	PUCM

14. SEGMENT REPORTING

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

15. Related Party Disclosures

The list of related parties as identified by the Management is as under:

Subsidiary:

1. Khoday Properties Private Limited

Key Management Personnel :

1. K. L. Ramachandra (Non - Executive Chairman)
2. K. L. Srihari (Managing Director)
3. K. L. A. Padmanabhasa (Joint Managing Director)
4. K. L. Swamy (Executive Director)
5. K. S. Giridhar (Non Executive Director)

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010
Significant Accounting policies & Notes on Accounts

PARTICULARS

Relatives of Key Management Personnel

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

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. Cassonava Distilleries Private Limited
8. Coconut Groves & Holiday Resorts Pvt Limited
9. Daatha Builders Private Limited

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SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010 Significant Accounting policies & Notes on Accounts

PARTICULARS

10. Elkay Farm
11. Elkay Tradings Corporation Private Limited
12. Five Brothers Marketing Private Limited
13. Forest Resort (Bandipur) Limited
14. Gayathri Foundation
15. Gayathri Holdings Private Limited
16. General mining and minerals
17. Hercules Construction Company Pvt Limited
18. Honeywell Business Private Limited
19. Ingo Property Developers Private Limited
20. Jay Pee Shoes Private Limited
21. K Lakshmana & Company
22. Kankapura Trading Private Limited
23. Khoday Brothers
24. Khoday Breweries Limited
25. Khoday Business Private Limited
26. Khoday Control Systems Private Limited
27. Khoday Eshwarsa and Sons
28. Khoday Hotels Private Limited
29. Khoday Industries (Kuppam) Private Limited
30. Khoday Industries (Hyderabad) Private Limited
31. Khoday Industries Private Limited
32. Khodays Brothers International Limited
33. Khodays Technologies Limited
34. Kilara Power Limited

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010
Significant Accounting policies & Notes on Accounts

PARTICULARS

35. L K Polyfibre Limited
36. L K Power Corporation Limited
37. L K Trust
38. Lakshmi Estate
39. Macdonald Tradings Private Limited
40. Mc Donald Distilleries Private Limited
41. Murugan enterprises
42. National Distilleries Limited
43. North India Distillers Private Limited
44. Panchaganga Tradings Private Limited
45. Panchakalyani Tradings Private Limited
46. Parsan Holiday Resorts Private Limited
47. Peterscot Tradings Private Limited
48. Ram Mohan & Company Private Limited
49. Ransh Coffee Estate
50. River Resorts Limited
51. Saraswathi Estate
52. Sovereign Hotels
53. Spring Borewells Company Private Limited
54. Sree Gurunath Panels
55. Sri Gurunath Tradings Private Limited
56. Sri Narmada Distilleries Private Limited
57. Surya Watch Industries Private Limited
58. The Distillers Company Private Limited
59. Thiruvonam Wines



SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010
Significant Accounting policies & Notes on Accounts

PARTICULARS

60. Tiger Breweries Limited
61. Trishul Wineries & Distilleries Private Limited
62. United Glass Bottles Manufacturing Company Limited
63. Universal Business Concepts Private Limited
64. Universal Trading Company
65. Vaishnavi Communications Private Limited
66. Vindhya Distilleries
67. Vyjayanthi Tradings Private Limited
68. Wesco Power Generation Limited
69. West India Distilleries Private Limited
70. Yajaman Enterprises

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

Particulars	2009-10				2008-09			
	Subsidiary	Key Management Personnel	Relative of Key Management Personnel	Entities over which Key Management Personnel and / or their relatives are able to exercise significant influence	Subsidiary	Key Management Personnel	Relative of Key Management Personnel	Entities over which Key Management Personnel and / or their relatives are able to exercise significant influence
A. Income								
Sales	-	-	-	14,196	-	-	-	7,993
Sales of assets	-	-	-	-	-	-	-	306
Royalty received	-	-	-	105	-	-	-	968
B. Expenses								
Purchase of Goods / Services	-	-	-	23,466	-	-	-	53,027
Leasing Arrangement / Rent	-	90	990	3,620	-	90	990	14,615
Expenses - Travelling, Sales promotion and others	-	-	-	7,390	-	-	-	14,623
Purchase of fixed asset	-	-	-	367	-	-	-	-
Payment made for acquisition of Shares of Subsidiary	-	-	-	-	-	100	-	-
Closing Balance	-	84,390 Cr	1,097 Cr	235,666 Dr	-	101,844 Cr	1,296 Cr	243,144 Dr
C. Investment in								
Subsidiary	100	-	-	-	100	-	-	-
Partnershp firm	-	-	-	617,207	-	-	-	618,677
D. Others								
Guarantee and Collateral Obtained from *	-	-	1,066,886	-	-	-	943,992	-

* - 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

**SCHEDULE - 22**
Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010
Significant Accounting policies & Notes on Accounts [Rupees in Thousands]

PARTICULARS	2009-10	2008-09
16. 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:		
Operating Lease:		
Less than 1 year	169	1,260
Later than 1 year & not later than 5 years	Nil	Nil
Later than 5 years	Nil	Nil
Finance Lease:		
Less than 1 year	6,321	5,150
Later than 1 year & not later than 5 years	5,017	5,788
Later than 5 years	Nil	Nil
17. Earnings Per Share		
Profit after Taxation as per Profit and Loss Account (in '000s)	A (55,797)	(34,847)
Total Number of Shares	B 37,591,237	37,591,237
Earnings per Share - Basic (in Rs.) {A/B}	(1.48)	(0.93)
Earnings per Share - Diluted (in Rs.) {A/B}	(1.48)	(0.93)
Face Value per Share (in Rs.)	10	10
18. Deferred Tax		
In accordance with the Accounting Standard - 22 "Accounting for Taxes on Income" the company reviewed 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:-		
Deferred Tax - Liabilities:		
On Depreciation differences	11,374	4,297
On Prepaid License Fees	4,908	9,103
TOTAL	[A] 16,282	13,400
Deferred Tax – Assets		
On provision for Entry Tax / Sales Tax	87	807
On Employees Benefits	17,023	15,001
On unabsorbed tax losses and depreciation	20,798	8,115
On Allowance in the future years upon payment of TDS	–	2,326
TOTAL	[B] 37,908	26,249
Net Deferred Tax Liabilities / [Assets] [A - B]	(21,626)	(12,849)

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS	2009-10	2008-09
19. Contingent Liabilities		
1. Claims against the company not acknowledged as debts	27,917	11,649
2. Disputed Sales Tax not provided	2,096	8,089
3. Guarantees / Counter – Guarantees given to Bank / Financial Institutions / Government Departments	15,300	16,000
20. Payments made or provided for Directors		
Director's sitting fees	55	79
Managerial Remuneration	*	*

* Remuneration to Managerial personnel has not been provided

21. Part of Land belonging to the Distillery Division identified on a systematic basis has been revalued on 2nd April 2009 on the basis of Fair market value and converted into Stock in trade. The increase in net book value arising on such revaluation amounting to Rs. 15,988 thousands and the balance in the revaluation reserve of Rs. 9,280 thousands pertaining to this asset on account of revaluation done in the year 1998-99 has been transferred to capital reserve account pursuant to the conversion.
22. Certain confirmation of balances from Sundry Debtors, Loans and advances, Deposits and Sundry Creditors 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
23. Information relating to Micro, Medium and Small enterprises having business transaction with the Company is furnished based on the information available amounting to Rs. 8145 thousands (Previous Year Rs 7,529 thousands).

Name of SSI

Adithya Enterprises – Blr
Apex Industries
Chembor Engineering Work
Dhanalakshmi Minerals
Esscee Engineering Company
Everest Engineers – Poona
Giliyal Industries, Bangalore
I.S.Moulds & Spares
IS Engineers
Jai Maruthi & Co.

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SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account - Year Ended 31.3.2010 Significant Accounting policies & Notes on Accounts

Jaimaruti Packaging
Karanja Industries Pvt Ltd.
Kirti Printers
Maleeka Enterprises – Bangalore
Naveen Prakashna – Blr
Paras Mineral Industries
Ramya Minerals
Shanthi Silicon Traders
Shree Shree Lakshmi Venkateshwara Swamy Industries
Shreno Ltd.
Sri Balaji Trading Corporn., Bangalore
Sudha Minechem Industries
Sudharshan Mould- Mumbai
Super Graphic 'N' Prints-B'lore

24. Loans and Advances include
- Rs. 2,50,000 thousands towards Lease Deposit given to firms in which some of the Directors are Partners.
 - Trade Advance amounting to Rs. 72,809 thousands due from Khoday Breweries Limited in which some of the Directors are interested.
25. Fixed Assets includes a building with a WDV of Rs. 13,327 thousand (Previous Year 14,029 thousands) the title of which is under dispute before the Debt Recovery Tribunal / City Civil Court. Pending resolution of this dispute, the company continues to reckon the Building as an asset in its financial statement.
26. Fixed Deposit of 10,825 thousands (Previous year-Rs.13,016 Thousands) has been pledged with the Banks towards margin money for issuance of bank guarantee.
27. Consequent to the revaluation of certain fixed assets carried out in 1998-99, there is an additional charge of depreciation amounting to Rs. 7,599 thousands (Previous year Rs 20,858 thousands) and an equivalent amount has been withdrawn from Revaluation Reserves and credited to the Profit & Loss Account.

for and behalf of the Board

K. L. RAMACHANDRA
Chairman

K. L. SRIHARI
Vice - Chairman &
Managing Director

As per our report of even date

for Rangaraju & Associates
Chartered Accountants
Firm Regn. No. 6912S

Place: Bangalore
Date : 06-09-2010

R. VENKAT SUBRAMANYAN
Company Secretary

KRISHNAN RANGARAJU
Partner
Membership No. 18457

KHODAY INDIA LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

[Rupees in Thousands]

PARTICULARS	2009-2010	2008-2009
A. Cash flow from Operating Activities		
Net Profit Before Tax	(67,518)	(28,909)
Adjustments for		
Depreciation	42,442	48,207
Loss/(Profit) on sale of Investments	(24)	(3,272)
Loss/(Profit) on sale Fixed Assets	(16)	55
Interest Income	(15,508)	(1,155)
Dividend Income	(27)	(46)
Interest & Bank Charges	189,193	136,452
Sundry credit balances written back	(17,293)	(38,521)
Irrecoverable advances written off	260	4
Bad debts written off	14	-
Loss from Lakshmi Estate (Partnership Firm)	1,470	1,043
Unrealised Foreign Exchange Fluctuation	89	(42)
Operating Profit Before Working Capital Changes	133,082	113,817
Adjustments for:		
(Increase)/Decrease in Sundry Debtors	(81,676)	22,305
(Increase)/Decrease in Inventories	(119,497)	(102,947)
(Increase)/Decrease in Loans & Advances	(76,931)	(16,362)
Increase/(Decrease) in Current Liabilities & Provisions	160,864	(106,270)
Cash Generated from Operations	15,841	(89,457)
Income Tax Paid		
- Direct Tax Paid	(709)	250
- Income tax relating to earlier years	13,106	-
- Current Fringe Benefit Tax	-	(2,917)
- Prior year adjustments	(1,386)	(2,969)
Net Cash from / (Used in) Operating Activities	26,853	(95,094)



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

[Rupees in Thousands]

PARTICULARS	2009-2010	2008-2009
B. Cash Flow from Investing activities		
Purchase of Fixed Assets	(26,516)	(13,229)
Sale of Fixed Assets	78	300
Capital Work In Progress (WIP)	(8,614)	(3,160)
Purchase of Investments	-	(105)
Proceeds from Sale of Investments	625	3,855
Interest Income (Gross)	14,700	776
Dividend Income	27	46
Net Cash from / (Used in) Investing Activities	(19,701)	(11,517)
C. Cash flow from Financial Activities		
Proceeds from Long Term Borrowings	199,654	305,296
Repayment of Long Term Borrowings	(18,314)	(58,377)
Interest & Bank Charges	(188,893)	(136,152)
Net Cash flow from/(Used in) Financing Activities	(7,553)	110,767
Net Cash Flows during the year {A+B+C}	(401)	4,156
Cash & Cash Equivalents(Opening Balance)	75,684	71,486
Cash & Cash Equivalents (Closing Balance)	75,261	75,684
Increase / (Decrease) in Cash & Cash equivalents	(423)	4,198
Unrealised (Profit) / Loss on Foreign Currency held in Hand (USD)	23	(42)
Net Increase / (Decrease) in Cash & Cash equivalents	(401)	4,156

Notes:

1. Cash Flow statement has been prepared under the Indirect method as set out in Accounting standard-3.
2. Figures in brackets indicate cash outflow.
3. Previous Year's figures have been re-grouped/re-arranged wherever necessary to confirm to the current Year's Presentation.

KHODAY INDIA LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. :

0	0	0	1	5	9	0
---	---	---	---	---	---	---

 State Code :

0	8
---	---

Balance Sheet Date

Date Month Year

3	1
---	---

0	3
---	---

2	0	1	0
---	---	---	---

II CAPITAL RAISED DURING THE YEAR (Amount in Rs.thousands)

Public Issue

		N	I	L		
--	--	---	---	---	--	--

Rights Issue

		N	I	L		
--	--	---	---	---	--	--

Bonus Issue

		N	I	L		
--	--	---	---	---	--	--

Private Placement

		N	I	L		
--	--	---	---	---	--	--

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs.thousands)

Total Liabilities

2	3	3	7	0	8	7
---	---	---	---	---	---	---

Total Assets

2	3	3	7	0	8	7
---	---	---	---	---	---	---

A. Sources of Funds

Paid-up Capital

	3	7	5	9	1	2
--	---	---	---	---	---	---

Reserves & Surplus

	7	1	5	6	6	8
--	---	---	---	---	---	---

Secured Loans

1	1	6	1	1	1	7
---	---	---	---	---	---	---

Unsecured Loans

		8	4	3	9	0
--	--	---	---	---	---	---

Deferred Tax

		N	I	L		
--	--	---	---	---	--	--

B. Application of Funds

Net fixed Assets

	4	7	1	6	1	5
--	---	---	---	---	---	---

Capital Work In Progress

		7	2	1	2	9
--	--	---	---	---	---	---

Investments

	6	1	8	3	2	2
--	---	---	---	---	---	---

Net Current Assets

1	1	7	5	0	2	1
---	---	---	---	---	---	---

Miscellaneous Expenditure

		N	I	L		
--	--	---	---	---	--	--

Accumulated Losses

		N	I	L		
--	--	---	---	---	--	--

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IV PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)

Turnover

3	0	2	5	9	2	2
---	---	---	---	---	---	---

Profit Before Tax

	(6	7	5	1	8)	
--	----	---	---	---	----	--

Earning Per Share (Rs. Ps.)

(Basic)

			(1	.	4	8)
--	--	--	----	---	---	----

Earning Per Share (Rs. Ps.)

(Diluted)

			(1	.	4	8)
--	--	--	----	---	---	----

Total Expenditure

1	5	3	9	9	0	4
---	---	---	---	---	---	---

Profit After Tax

	(6	7	5	1	8)	
--	----	---	---	---	----	--

Dividend Rate %

			N	I	L	
--	--	--	---	---	---	--

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES

Product Discription

Item code No. (ITC Code)

IML

2	2	0	8	2	0	.	0	2
---	---	---	---	---	---	---	---	---

PAPER

(Uncoated Paper & Paper Boards)

4	8	0	2					
---	---	---	---	--	--	--	--	--

K. L. RAMACHANDRA
Chairman

K. L. SRIHARI
Vice - Chairman &
Managing Director

Place: Bangalore
Date : 06-09-2010

R. VENKAT SUBRAMANYAN
Company Secretary

KHODAY INDIA LIMITED

Statement pursuant to Section 212 (1) (e) of the Companies Act, 1956, relating to Subsidiary Company.

1. Name of the Subsidiary	Khoday Properties Private Limited
2. Date on which control was acquired	24 th April 2008
3. Financial year ended	31 st March 2010
4. Holding Company's interest in the Subsidiary	10,000 Equity shares of Rs.10 each (100%)
5. Net aggregate amount of the losses of the Subsidiary not dealt with in the Holding Company's accounts	
a) For the financial year of the Subsidiary Company	Rs. 1,126,067
b) For the previous financial years since it became a Subsidiary Company	Rs. 894,148
6. Net aggregate amount of the Profits\Losses of the Subsidiary dealt with in the Holding Company's accounts	
a) For the financial year of the Subsidiary Company	Nil
b) For the previous financial years since it became a Subsidiary Company	Nil

K. L. RAMACHANDRA
Chairman

K. L.SRIHARI
Vice - Chairman &
Managing Director

R. VENKAT SUBRAMANYAN
Company Secretary



REPORT OF THE AUDITOR

To the Members of Khoday Properties Private Limited

1. We have audited the attached Balance Sheet of **Khoday Properties Private limited** as at 31st March 2010, the Profit and Loss account and also the Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003 (CARO) issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, We enclose in the *Annexure* a statement on the matters specified in paragraphs 4 and 5 of the said Order
4. Further to our comments in the *Annexure* referred to above, We report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - c. The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash flow Statement dealt with by this report comply with the applicable Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - e. In our opinion, on the basis of the information and explanations given to us and written representation received from the directors, as on 31st March 2010 and taken on record by the Board of Directors, We report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
5. In our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with the notes thereon and Accounting Policies give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In the case of the Balance Sheet, of the state affairs of the company as at 31st March 2010,
 - b. In the case of the Profit and Loss Account, 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.

for Rangaraju & Associates
Chartered Accountants
(Firm Regn No.6912S)

KRISHNAN RANGARAJU
Partner
Membership No. 18457

Place : Bangalore
Date : 06-09-2010

KHODAY PROPERTIES PRIVATE LIMITED

ANNEXURE TO THE AUDITOR'S REPORT.

(Referred to in Para 3 of our report of even date)

- i. The company does not have any fixed asset and hence Clauses (i) (a), (i) (b) and (i) (c) of paragraph 4 of the CARO are not applicable to the Company
- ii. The company does not have any inventory and hence Clauses (ii) (a), (ii) (b) and (ii) (c) of paragraph 4 of the CARO are not applicable to the Company.
- iii. (a) The company has neither granted nor taken any Loans, secured or unsecured to Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Hence, Clauses (iii) (b), (iii) (c), (iii) (d), (iii) (f) and (iii) (g) of paragraph 4 of CARO are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, the company has neither purchased any Inventory or Fixed Assets nor sold goods and services and hence reporting on the Internal Control system for the above said transactions does not arise. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. According to the information and explanations given to us, there were no particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 which have not been entered in the register required to be maintained under that section. Accordingly, Clause (v) (b) of paragraph 4 of the CARO is not applicable to the Company.
- vi. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act and the rules framed there under.
- vii. The Paid up capital and reserves did not exceed Rupees Fifty lakhs as at beginning of the financial year concerned and the average turnover does not exceed Rupees Five crores for a period of three consecutive financial years preceding the financial year concerned. Accordingly, Clause (vii) of paragraph 4 of the CARO is not applicable to the Company.
- viii. According to the information and explanations given to us the maintenance of Cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956.
- ix. (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.
(b) According to information and explanation given to us, there are no undisputed amounts payable in respect of statutory dues which have remained outstanding as at 31st March 2010 for a period of more than six months from the date they became payable.
(c) According to the information and explanations given to us, there are no statutory dues which have not been deposited on account of any dispute.



- x. The company has been registered for a period less than five years. Accordingly, Clause (x) of paragraph 4 of the CARO is not applicable to the Company.
- xi. The Company has not borrowed from financial institutions or banks or issued debentures during the year. Accordingly, Clause (xi) of paragraph 4 of the CARO is not applicable to the Company.
- xii. According to the information and explanations given to us, the company has not granted any loans and advances secured by pledge of shares, debentures and other securities.
- xiii. In our opinion, the company is not a chit fund or a nidhi or a mutual fund society. Therefore the provision of clause (xiii) of paragraph 4 of the CARO is not applicable to the Company.
- xiv. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, Clause (xiv) of paragraph 4 of the CARO is not applicable to the Company.
- xv. According to the information and explanation given to us, the company has not given any guarantee for the loans taken by others from banks or financial institutions. Accordingly, Clause (xv) of paragraph 4 of the CARO is not applicable to the Company.
- xvi. According to the records of the Company, the company has not obtained any term loans. Accordingly, Clause (xvi) of paragraph 4 of the CARO is not applicable to the Company.
- xvii. Based on the information and explanations given to us and overall examination of the Balance sheet of the company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment.
- xviii. According to the information and explanation given to us, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the companies Act, 1956 during the year.
- xix. According to the information and explanations given to us, the company has not issued any debentures during the year.
- xx. The company has not raised any money by way of public issue during the year.
- xxi. During the course of examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we report that no case of fraud on or by the company has been noticed or reported during the year under audit.

for Rangaraju & Associates
Chartered Accountants
(Firm Regn No.6912S)

Place : Bangalore
Date : 06-09-2010

KRISHNAN RANGARAJU
Partner
Membership No. 18457

KHODAY PROPERTIES PRIVATE LIMITED

KHODAY PROPERTIES PRIVATE LIMITED BALANCE SHEET AS AT 31ST MARCH, 2010

[Amount in Rupees]

PARTICULARS	Schedule No.	As at 31-03-2010	As at 31-03-2009
SOURCES OF FUNDS			
1. SHARE HOLDERS' FUNDS			
Share Capital	1	100,000	100,000
TOTAL:		100,000	100,000
APPLICATION OF FUNDS			
Fixed Assets		—	—
2. CURRENT ASSETS, LOANS & ADVANCES			
Cash & Bank Balances	2	160,479	70,094
Loans & Advances	3	50,000	140,385
		210,479	210,479
3. LESS: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	4	3,172,908	2,046,841
Provisions	5	44,240	44,240
Net Current Assets		(3,006,669)	(1,880,602)
4. MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)	6	267,770	267,770
Profit and Loss Account		2,838,899	1,712,832
TOTAL :		100,000	100,000
Notes on Accounts	7		
The schedules 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. 6912S

K. L. SRIHARI
Director

K.L. SWAMY
Director

KRISHNAN RANGARAJU
Partner
Membership No. 18457

Place: Bangalore
Date : 06-09-2010

Annual Report 2009 - 2010



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

[Amount in Rupees]

PARTICULARS	Schedule No.	As at 31-03-2010	As at 31-03-2009
INCOME		-	-
ADMINISTRATIVE EXPENSES		-	-
R O C Filing Fee		1,000	6,800
Audit Fee for Statutory Audit		10,000	10,000
Professional Charges		300	1,000
Telephone expenses		74,902	14,016
Travelling expenses		43,816	15,000
Reimbursement Expenses - Vehicle		134,586	23,277
Printing & Stationery		2,812	-
Books & Periodicals		6,309	-
Miscellaneous Expense		-	337
PERSONNEL EXPENSES			
Salaries , Gratuity , Bonus		799,083	857,427
Staff Welfare		53,259	20,880
INTEREST & BANK CHARGES			
Bank Charges		-	20
		<u>1,126,067</u>	<u>948,757</u>
Profit/(Loss) before Taxation		(1,126,067)	(948,757)
Less : Provision for Taxation		-	-
Fringe Benefit Tax		-	5,524
Profit/(Loss) after Taxation		(1,126,067)	(954,281)
Add: Balance brought forward from previous year		(1,712,832)	(758,551)
Balance carried to Balance Sheet		(2,838,899)	(1,712,832)
Basics Earnings per share (in Rupees)		(112.61)	(95.43)

Notes on Accounts

7

schedules referred to above form an integral part of the Profit and Loss Account

for and behalf of the Board

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

K. L. SRIHARI
Director

K.L. SWAMY
Director

KRISHNAN RANGARAJU
Partner
Membership No. 18457

Place: Bangalore
Date : 06-09-2010

KHODAY PROPERTIES PRIVATE LIMITED

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH , 2010

[Amount in Rupees]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED:		
20,00,000 Equity Shares of Rs.10/- each	20,000,000	20,000,000
ISSUED, SUBSCRIBED AND PAID UP:	100,000	100,000
10,000 Equity Shares of Rs.10 each fully paid up (Of the above 10,000 Equity Shares (Previous Year - 10,000 Equity Shares) of Rs. 10 - each is held by the Holding company - Khoday India Ltd.)		
Total...	100,000	100,000
SCHEDULE - 2		
CASH AND BANK BALANCES		
Cash in Hand	64,230	64,230
Balance with Scheduled Banks- In Current Account	96,249	5,864
	160,479	70,094
SCHEDULE - 3		
LOANS AND ADVANCES		
(unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	50,000	140,385
Total...	50,000	140,385
SCHEDULE - 4		
CURRENT LIABILITIES		
Sundry Creditors - For Expenses	495,980	106,915
Advance Receipts	2,648,600	1,908,510
Other Liabilities	28,328	31,416
Total...	3,172,908	2,046,841
SCHEDULE - 5		
PROVISIONS		
Provision for Retirement Benefits	44,240	44,240
	44,240	44,240
SCHEDULE - 6		
MISCELLANEOUS EXPENDITURE		
Pre - operative expenses	267,770	267,770
Total...	267,770	267,770



SCHEDULE - 7

Schedule forming part of Balance Sheet and Profit and Loss Account
Significant Accounting policies & Notes on Accounts

(a) Accounting Convention and Basis of Preparation:

The Financial Statements have been prepared under the Historical Cost Convention. The financial statements have been prepared to comply with all material respects regarding all accounting standards notified by Companies (Accounting Standard) rules, 2006 and the relevant provisions of the Companies Act, 1956.

(b) 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, current and other accounts (Including Fixed Deposit) held with banks.

(c) Event 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.

(d) Accounting for Employee benefits

The accounting for Retirement Benefits for the employees is done on Actual liability basis, as the number of employee at present is only two. The company proposes to adopt actuarial valuation basis for provision in future depending on the increase in human resources.

(e) Related Party Transactions

The related party relationships have been classified under the heads Holding Company, Key Management Personnel and Entities over which Key Management Personnel are able to exercise significant influence.

The list of related parties as identified by the management is as under:

Holding Company

1. Khoday India Limited

Key Management Personnel

1. K L Srihari
2. K L A Padmanabhasa
3. K L Swamy

Entities over which key Management Personnel are able to exercise significant influence:

1. Khoday Eshwarsa & Sons
2. L K Trust

KHODAY PROPERTIES PRIVATE LIMITED

SCHEDULE - 7

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

(Amount in Rupees)

Particulars	2009-10	2008-09
	Entities over which Key Management Personnel are able to exercise significant influence	Entities over which Key Management Personnel are able to exercise significant influence
Balance at the end of the Year (Cr)	2,648,600	1,908,510

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

(f) Earning per Share

- Basic earning per share has been computed with reference to Weighted Average number of Shares outstanding at monthly rests.

(g) 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 losses only if there is a virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits. The details are as below:-

(Amount in Rs.)

Particulars	2009-10	2008-09
Deferred Tax - Assets		
On Employees Benefits	18,807	16,319
On unabsorbed tax losses and depreciation	872,201	510,399
TOTAL	891,008	526,718

(h) 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 Balance Sheet.
- Contingent Assets are neither recognized nor disclosed.

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SCHEDULE - 7

Schedule forming part of Balance Sheet and Profit and Loss Account Significant Accounting policies & Notes on Accounts

(i) Sundry Debtors / Loans and Advances

Sundry Debtors and Loans and Advances are stated after making adequate provision for those doubtful of recovery.

(j) Expenditure

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

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

(l) The other requirements of Part II to Schedule VI of the Companies Act, 1956, are not given, since the same are not applicable.

for and behalf of the Board

As per our report of even date
for Rangaraju & Associates
Chartered Accountants
(Firm Regn No: 6912S)

K. L. SRIHARI
Director

K.L. SWAMY
Director

KRISHNAN RANGARAJU
(Partner)
Membership No. 18457

Place: Bangalore
Date : 06.09-2010

KHODAY PROPERTIES PRIVATE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

[in Rupees]

PARTICULARS	2009-10	2008-09
A. Cash flow from Operating Activities		
Net Profit Before Tax	(1,126,067)	(948,757)
Adjustments for		
Bank Charges	-	20
		-
Operating Profit Before Working Capital Changes	(1,126,067)	(948,737)
Adjustments for:		
(Increase)/Decrease in Loans & Advances	90,385	(140,385)
Increase/(Decrease) in Current Liabilities	1,126,067	1,059,380
Increase/(Decrease) in Provisions	-	44,239
Cash Generated from Operations	90,385	14,497
Taxes Paid	-	(2,717)
Net Cash from / (Used in) Operating Activities	90,385	11,780
B. Cash Flow from Investing activity	-	-
Net Cash from / (Used in) Investing Activities	-	-
C. Cash flow from Financial Activities		
Interest & Bank Charges	-	(20)
Net Cash flow from/(Used in) Financing Activities	-	(20)
Net Cash Flows during the year {A+B+C}	90,385	11,760
Cash & Cash Equivalents(Opening Balance)	70,094	58,334
Cash & Cash Equivalents (Closing Balance)	160,479	70,094
Net Increase / (Decrease) in Cash & Cash equivalents	90,385	11,760

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BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. : State Code :

Balance Sheet Date

Date Month Year

II CAPITAL RAISED DURING THE YEAR (Amount in Rupees)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. thousands)

Total Liabilities

Total Assets

A. Sources of Funds

Paid-up Capital

Reserves & Surplus

N I L

Secured Loans

N I L

Unsecured Loans

N I L

Deferred Tax

N I L

B. Application of Funds

Net fixed Assets

N I L

Capital Work In Progress

N I L

Investments

N I L

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

IV PERFORMANCE OF THE COMPANY (Amount in Rupees)

Turnover

N I L

Total Expenditure

Profit Before Tax

Profit After Tax

Earning Per Share (Rs. Ps.) (Basic)

Earning Per Share (Rs. Ps.) (Diluted)

Dividend Rate %

N I L

V GENERIC NAME OF SERVICE

Property Development & Building Construction

Item code No. (ITC Code)

Place: Bangalore
Date : 06-09-2010

K. L. SRIHARI
Director

K.L. SWAMY
Director

KHODAY INDIA LIMITED (Consolidated Financial Statement)

REPORT OF THE AUDITOR

To the Board of Directors of Khoday India Limited

1. We have audited the attached consolidated balance sheet of Khoday India limited ('the Company') and its Subsidiary (collectively called 'the Group') as at 31st March 2010, the consolidated profit and loss account and also the consolidated cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements prescribed in the Companies (Accounting Standards) Rules, 2006.
4. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 2010,
 - b. In the case of the consolidated profit and loss account, of the *loss* of the Group for the year ended on that date, and
 - c. In the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

for Rangaraju & Associates
Chartered Accountants
(Firm Regn No.6912S)

Place : Bangalore
Date : 06-09-2010

KRISHNAN RANGARAJU
Partner
Membership No. 18457



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

[Rupees in Thousands]

PARTICULARS	Schedule No.	As at 31-03-2010	As at 31-03-2009
SOURCES OF FUNDS			
1. SHARE HOLDERS' FUNDS			
[a] Share Capital	1	375,912	375,912
[b] Reserves & Surplus	2	713,648	762,182
2. LOAN FUNDS			
[a] Secured Loans	3	1,161,117	962,023
[b] Unsecured Loans	4	84,390	101,844
T O T A L :-		2,335,067	2,201,961
APPLICATION OF FUNDS			
3. FIXED ASSETS :-	5		
[a] Gross Block		1,464,222	1,448,774
[b] Less: Depreciation		992,607	944,260
[c] Net Block		471,615	504,514
[d] Capital Work in Progress		72,129	63,515
[e] Goodwill on Consolidation		818	818
4. INVESTMENTS	6	618,222	620,294
5. CURRENT ASSETS, LOANS & ADVANCES			
[a] Inventories	7	833,218	688,422
[b] Sundry Debtors	8	384,561	302,965
[c] Cash & Bank Balances	9	75,421	75,754
[d] Other Current Assets	10	1,293	484
[e] Loans & Advances	11	527,677	451,095
		1,822,170	1,518,720
6. LESS: CURRENT LIABILITIES & PROVISIONS			
[a] Current Liabilities	12	609,130	468,462
[b] Provisions	13	41,025	37,706
		650,155	506,168
7. NET CURRENT ASSETS		1,172,015	1,012,552
8. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	14	268	268
T O T A L :-		2,335,067	2,201,961

Significant Accounting Policies and Notes on Accounts **22**

The schedules referred to above form an integral part of the Balance Sheet

for and behalf of the Board
K. L. RAMACHANDRA
Chairman

K. L. SRIHARI
Vice - Chairman &
Managing Director

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

Place: Bangalore
Date : 06-09-2010

R. VENKAT SUBRAMANYAN
Company Secretary

KRISHNAN RANGARAJU
Partner
Membership No. 18457

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Schedules to Consolidated Balance Sheet and Profit & Loss Account - Year Ended 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED		
4,50,00,000 (Previous year 4,50,00,000) Equity Shares of Rs.10/- each	450,000	450,000
ISSUED		
3,81,34,237 (Previous year 3,81,34,237) Equity Shares of Rs 10/- each	381,342	381,342
SUBSCRIBED AND PAID UP		
3,75,91,237 (Previous year 3,81,34,237) Equity Shares of Rs.10 each fully paid up (Including the following shares issued for consideration other than cash ; 64,50,000 Equity Shares allotted as fully paid Bonus Shares by capitalisation of Reserves; 1,11,048 Equity Shares allotted to Share holders of erstwhile Manaylux Paper Board Pvt Ltd in terms of scheme of amalgamation sanctioned by High Court of Karnataka in the financial year 2000-2001; and 2,30,76,923 Equity shares allotted to Share holders of erstwhile Khoday Systems Limited in terms of scheme of amalgamation Sanctioned by High Court of Karnataka in the financial year 2003-2004)	375,912	375,912
Total...	375,912	375,912
SCHEDULE - 2		
RESERVES AND SURPLUS		
CAPITAL RESERVE		
As per last Balance Sheet	190,918	190,918
Add: Transferred from Revaluation Reserve (Refer Note - 10)	25,268	-
As at the end of the Financial Year	216,186	190,918
CAPITAL REDEMPTION RESERVE		
As per last Balance Sheet	531	531
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	115,463	115,463
GENERAL RESERVE		
As per last Balance Sheet	184,379	134,379
Add : Transferred from Debenture Redemption Reserve	-	50,000
As at the end of the financial year	184,379	184,379
REVALUATION RESERVE		
As per last Balance Sheet	165,871	186,729
Add: Addition during the year (Refer Note - 10)	15,988	-
Less : Transferred to Profit & Loss Account	7,599	20,858
Transferred to Capital Reserve	25,268	-
As at the end of the financial year	148,992	165,871
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	-	50,000
Less : Transferred to General Reserve	-	50,000
As at the end of the financial year	-	-
PROFIT & LOSS ACCOUNT		
Surplus from Profit & Loss Account	48,097	105,020
Total...	713,648	762,182

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KHODAY INDIA LIMITED (Consolidated Financial Statement)

Schedules to Consolidated Balance Sheet and Profit & Loss Account - Year Ended 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 3		
SECURED LOANS:		
a. From Banks - i - Cash Credits	748,124	617,121
ii - Term Loans	395,097	327,871
iii - Hire Purchase	8,122	8,982
b. Other Loans & Advances		
i - Hire Purchase	1,917	493
i - From Others	1,669	1,669
c. Interest Accrued and Due	6,188	5,887
Total	1,161,117	962,023

(a) (i) Cash Credits from Banks have been secured by a first charge by way of Hypothecation of Stock of Raw materials, Semi finished, Finished goods, other packing materials, Bills receivables and book debts and other Moveable property of Distillery Division on pari passu basis and Equitable Mortgage of properties of the company ; and of Private Limited , Trust, and firms in which some of the directors are interested / trustees/ partners and Further secured by the immovable property of some the Directors and their relatives and by personal guarantee of some of the directors and their relatives and corporate guarantees of some entities in which the directors are interested.

(a) (ii) Term Loan from banks includes

(1) Rs Nil (Previous Year Rs 11.62 Lacs) secured by personal guarantee of the directors and their relatives and further secured by first charge by way of mortgage of immovable properties of a firm in which some of the directors are partners and further secured by first charge by way of mortgage of the immovable property of a trust in which some of the Directors are Trustees and further secured by a building of the company.

(2) Rs 931.57 lacs (Previous Year Rs 1753.14 lacs) secured by personal guarantee of the directors and their relatives and further secured by first charge by way of mortgage of immovable property of a company in which some of the directors are members and further secured by first charge by way of mortgage of the immovable property of a trust in which some of the Directors are Trustees and further secured by land and building of a division of the company and further secured by personal guarantee of some of the Directors.

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Schedules to Consolidated Balance Sheet and Profit & Loss Account - Year Ended 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
-------------	---------------------	---------------------

(3) Rs 3019.40 Lacs (Previous Year Rs 1513.95 Lacs) secured by hypothecation of Maturation stock and further secured by first charge by way of mortgage of immovable property of a company in which some of the directors are members and further secured by first charge by way of mortgage of the immovable property of a trust in which some of the Directors are Trustees and further secured by land and building of the company and further secured by personal guarantee of some of the Directors.

(a) (iii) Hire Purchase loans from banks Rs 81.22 Lacs (Previous year Rs 89.82. Lacs) is secured by hypothecation of vehicles.

(b) Other Loans & Advances includes Rs 19.17 Lacs (Previous year Rs 4.92 Lacs) secured by hypothecation of vehicles and Rs 16.69 Lacs (Previous Year Rs 16.69 Lacs) secured by the Second Charge on the Plant & Machinery and Land of the Company.

SCHEDULE -4

UNSECURED LOANS

Others Loans and Advances

- From Directors

84,390

101,844

TOTAL

84,390

101,844

SCHEDULE -5

FIXED ASSETS

SL No.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
		As on 01.04.2009	Additions	Revaluation	Sale / Transfer	As on 31.03.2010	As on 01.04.2009	For the year	With drawn	As on 31.03.2010	As on 31.03.2009	
1	Land	33,417	-	15,988	25,300	24,105	-	-	-	-	24,105	33,417
2	Buildings	407,905	1,824	-	-	409,729	139,940	14,240	-	154,180	255,549	267,965
3	Plant & Machinery	506,947	16,462	-	-	523,409	445,171	11,398	-	456,569	66,840	61,776
4	Furniture & Fixtures Other Office Equipments	382,945	2,111	-	37	385,019	261,658	19,402	30	281,030	103,989	121,287
5	Vehicles	117,560	6,119	-	1,719	121,960	97,491	5,001	1,664	100,828	21,132	20,069
	Total	1,448,774	26,516	15,988	27,056	1,464,222	944,260	50,041	1,694	992,607	471,615	504,514
	Previous Year	1,436,045	13,229	-	500	1,448,774	875,341	69,065	146	944,260	504,514	560,704
6	Capital Work-in-Progress	63,515	8,614	-	-	72,129	-	-	-	-	72,129	63,515
7	Previous Year	60,355	3,160	-	-	63,515	-	-	-	-	63,515	60,355

KHODAY INDIA LIMITED (Consolidated Financial Statement)

Schedules to Consolidated Balance Sheet and Profit & Loss Account - Year Ended 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009			
SCHEDULE - 6					
INVESTMENTS :					
LONG TERM :					
(A) Govt. Securities	155	256			
TOTAL { A }	155	256			
(B) QUOTED - EQUITY SHARES (FULLY PAID-UP)					
	No of Shares				
TRADE INVESTMENTS - LONG TERM :	31.03.2010	31.03.2009			
Excell Glass Limited	10	500	500	5	5
United Spiritis Ltd.	10	282	282	2	2
United Breweries Limited	1	230	230	5	5
United Breweries Holding Ltd.	10	562	562	3	3
Sub Total				15	15
NON-TRADE INVESTMENTS - LONG TERM :					
Gulf Oil Corporation Limited	2	9,300	1,860	7	7
Sub Total				7	7
Total.. { B }				22	22
AGGREGATE MARKET VALUE OF QUOTED INVESTMENTS				729	199
(C) UNQUOTED - EQUITY SHARES (FULLY PAID-UP)					
TRADE INVESTMENTS - LONG TERM :					
Alembic Glass Industries Ltd.	100	33	33	4	4
Artos Breweries Limited	10	225	225	2	2
Arlem Breweries Limited	10		150	-	1
Jupiter Breweries Limited	10	300	300	3	3
Pilsener Breweries Limited	10	100	100	2	2
Punjab Breweries Limited	10	250	250	3	3
Himalaya Distilleries Ltd	10	12,500	12,500	125	125
United Glass Bottles Mfg Co Ltd	10	13,650	13,650	137	137
Khoday Industries Pvt Ltd	1000	480	480	480	480
Sub Total				756	757

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Schedules to Consolidated Balance Sheet and Profit & Loss Account - Year Ended 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
NON-TRADE INVESTMENTS - LONG TERM :		
GL Hotels Limited	5	5
Kasturi Foods & Chemicals Ltd	50	50
MOI Engineering Limited	10	10
Metal Box India Limited	4	4
Modern Syntex (India) Ltd	12	12
Panchakala Malt Limited	1	1
Sub Total	82	82
UNQUOTED - PREFERENCE SHARES (FULLY PAID-UP)		
NON-TRADE INVESTMENTS - LONG TERM :		
Kirlosker Consultants Ltd (15% Redeemable Cumulative Preference Shares)	-	500
AGGREGATE VALUE OF UNQUOTED INVESTMENTS (C)	838	1,339
(D) INVESTMENTS IN FIRMS :		
Lakshmi Estate	617,207	618,677
Total.. {D}	617,207	618,677
TOTAL INVESTMENTS AT COST {A+B+C+D}	618,222	620,294
SCHEDULE - 7		
INVENTORIES :		
(As valued and certified by the Management)		
Stores, Spares and Fuel	8,198	4,708
Stock in Hand - Land	25,300	-
Raw Materials & Goods Purchased for Resale	106,100	106,229
Semi-Finished Goods	610,752	500,986
Finished Goods	82,868	76,499
Total..	833,218	688,422

KHODAY INDIA LIMITED (Consolidated Financial Statement)

Schedules to Consolidated Balance Sheet and Profit & Loss Account - Year Ended 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 8		
SUNDRY DEBTORS :		
(Unsecured, Considered Good in respect of which the company holds no security other than debtors personal security)		
Outstanding for more than Six Months	83,730	77,139
Other Debts	300,831	225,826
(Unsecured, Considered Doubtful)		
Outstanding for more than six months	928	928
LESS: Provision for Doubtful Debts	(928)	(928)
Total..	384,561	302,965
SCHEDULE - 9		
CASH AND BANK BALANCES :		
Cash on hand and in transit	44,728	40,904
Cheques and Drafts in Hand	3,568	139
Balances with Scheduled Banks		
- In Current Account	16,300	21,695
- In Deposit Accounts	10,825	13,016
Total..	75,421	75,754
SCHEDULE - 10		
OTHER CURRENT ASSETS :		
Interest Accrued on Fixed Deposits	1,293	484
Total..	1,293	484
SCHEDULE - 11		
LOANS & ADVANCES :		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	473,912	389,772
(in respect of which the company holds no security other than customers personal security)		
Balance with Excise Authorities	15,210	25,519
Deposit - Others	34,942	35,804
Advance Income Tax (Net of Tax Provision - Rs. 28,100 thousands)	3,613	-
TOTAL	527,677	451,095

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Schedules to Consolidated Balance Sheet and Profit & Loss Account - Year Ended 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 12		
CURRENT LIABILITIES :		
Sundry Creditors		
- For Trade	72,709	63,829
- For Capital Goods	29,373	28,820
- For Expenses & Others	224,363	112,541
- Due to Micro and Small enterprises	8,145	7,530
Advance from customers	60,389	71,021
Unclaimed dividends	812	821
Other liabilities	213,339	183,900
TOTAL	609,130	468,462
SCHEDULE - 13		
PROVISIONS :		
For Taxation (Net of Advance Tax Rs. 35,764 thousands)	-	715
For Retirement Benefits	33,852	28,247
For Excise Duty	7,169	8,740
For Diminution in value of Investment	4	4
TOTAL	41,025	37,706
SCHEDULE - 14		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Pre - Operative Expenses	268	268
Total..	268	268
SCHEDULE - 15		
SALES		
Distillery	2,905,546	2,151,475
Glass	100,986	112,622
Others	19,390	20,760
Total..	3,025,922	2,284,857

KHODAY INDIA LIMITED (Consolidated Financial Statement)

Schedules to Consolidated Balance Sheet and Profit & Loss Account - Year Ended 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE - 16		
OTHER INCOME		
Interest received		
On Fixed Deposit (Gross)	1,060	1,120
(TDS Rs 128 thousands, Previous year Rs 170 thousands)		
On Income Tax Refund	14,448	204
Dividend on Investments	27	46
Misc. Income	3,600	1,870
Profit on Sale of Fixed assets	16	–
Profit on Sale of Investments	25	3,272
Foreign Exchange Fluctuation Gain	–	8
Sundry Credit balance written back	17,293	38,521
Total..	36,469	45,041
SCHEDULE - 17		
INCREASE / (DECREASE) IN STOCK		
CLOSING STOCK :		
Finished Goods	82,868	76,499
Semi-finished Goods	610,752	500,986
Total.. {A}	693,620	577,485
OPENING STOCK :		
Finished Goods	76,499	64,544
Semi-finished Goods	500,986	421,276
Total.. {B}	577,485	485,820
Increase / (Decrease) in Stock (A - B)	116,135	91,665
SCHEDULE - 18		
CONSUMPTION OF RAW MATERIALS & PURCHASE FOR RESALE		
OPENING STOCK		
Distillery	97,079	84,886
Glass	8,564	10,057
Goods Purchased for Resale	585	175
Total.. {A}	106,228	95,118

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Schedules to Consolidated Balance Sheet and Profit & Loss Account - Year Ended 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
ADD: PURCHASES		
Distillery	515,981	387,955
Glass	176,939	175,124
Goods Purchased for Resale	3,902	2,254
Total.. {B}	696,822	565,333
LESS: CLOSING STOCK		
Distillery	99,328	97,079
Glass	6,544	8,564
Goods Purchased for Resale	228	585
Total.. {C}	106,100	106,228
Consumption and purchase for resale (A+B-C)	696,950	554,223
SCHEDULE - 19		
MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES :		
Power, Fuel & Lighting Charges	117,326	78,539
Rent	13,095	11,890
Rates & Taxes	25,424	26,476
Insurance	971	1,977
Repairs & Maintenance :		
- Electrical	1,754	1,673
- Plant & Machinery	15,242	8,956
- Buildings	3,098	1,687
- Vehicles	13,988	11,551
- Others	3,827	5,835
Freight, Octroi & Storage Exps	59,377	51,645
Lease Rent	3,620	14,615
Travelling & Conveyance	25,783	23,038
Printing & Stationery	3,712	4,109
Postage, Telephone & Telegram	5,589	6,347
Books & Periodicals	269	91
Security Service Charges	3,617	7,142
Legal & Professional Charges	32,779	30,771
Directors Sitting Fees	55	79
Auditors Remuneration		
- For Statutory Audit	562	562

KHODAY INDIA LIMITED (Consolidated Financial Statement)

Schedules to Consolidated Balance Sheet and Profit & Loss Account - Year Ended 31-03-2010

[Rupees in Thousands]

PARTICULARS	As at 31-03-2010	As at 31-03-2009
Cost Audit Fees	20	20
Donation	2,151	1,189
Commission & Discount on Sales	51,585	57,680
Sales Promotion	55,289	45,540
Advertisement	6,737	6,438
Service Charges	1,684	569
Miscellaneous Expenses	11,478	8,268
Share of Loss in Partnership Firm	1,470	1,043
Irrecoverable advances written off	260	4
Bad Debts	14	-
Loss on sale of asset	-	55
Exchange Variation	211	-
Total..	460,987	407,789

SCHEDULE - 20

PERSONNEL EXPENSES

Salaries, Wages, Gratuity, Bonus and leave encashment	129,485	122,945
Staff Welfare Expenses	12,886	12,846
Contribution to P.F. and Other Funds	9,087	6,435
Total..	151,458	142,226

SCHEDULE - 21

INTEREST & BANK CHARGES :

INTEREST		
On Term Loan	56,665	40,123
On Others	126,340	91,856
BANK CHARGES	6,188	4,473
TOTAL..	189,193	136,452



SCHEDULE - 22

Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account
Significant Accounting Policies & Notes on Accounts

PARTICULARS

1. 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 material aspects regarding all accounting standards notified by Companies (Accounting Standard) rules, 2006 and the relevant provisions of the Companies Act, 1956.

(c) Estimates and Assumptions:

Preparation of Financial Statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities 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 semi- finished goods 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, current and other accounts (Including Fixed Deposit) held with banks.

(f) Event occurring after the Balance Sheet Date:

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

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

● Net Profit for the period:

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

KHODAY INDIA LIMITED (Consolidated Financial Statement)

SCHEDULE - 22

Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account Significant Accounting Policies & Notes on Accounts

PARTICULARS

- **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 accounted in accordance with Accounting Standard – 5

(h) Depreciation Accounting:

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

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

(i) Revenue Recognition:

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

(j) Accounting for Fixed Assets:

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto, and includes inward freight, duties and taxes and incidental expenses related to acquisition and improvements. 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 Fixed assets, the difference between the written up value of the fixed assets revalued and the carrying amount in books will be 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 on settlement of forex transactions and translation of monetary items is recognized as income or expense in the year in which they arise.



SCHEDULE - 22

Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account
Significant Accounting Policies & Notes on Accounts

PARTICULARS

(l) **Accounting for Investments:**

- § Long term investments are valued at cost. Provision is made to recognize a diminution other than temporary, in the value of each long-term investment.
- § Current Investments are stated at lower of cost and 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 of 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 of 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 semi-finished, as these stocks require a substantial period of time to bring them to saleable condition. Other Borrowing Costs are treated as revenue expenditure.

(o) **Segment Reporting:**

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

(p) **Related Party Transactions:**

The related party relationships have been classified under the heads 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.

KHODAY INDIA LIMITED (Consolidated Financial Statement)

SCHEDULE - 22

Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account Significant Accounting Policies & Notes on Accounts

PARTICULARS

§ Operating Lease payments are recognized in the Profit and Loss Account 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) Principles of consolidation:

The consolidated financial statements include the financial statements of Khoday India Limited and its only wholly owned Indian subsidiary, M/s 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, incomes and expenses after eliminating all inter company balances/transactions 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.

(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.

(u) Impairment of Asset:

An asset is treated as impaired when the carrying cost of the assets 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. 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 Balance Sheet.

§ Contingent Assets are neither recognized nor disclosed.



SCHEDULE - 22

Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account

Significant Accounting Policies & Notes on Accounts

[Rupees in thousands]

PARTICULARS

(w) Sundry Debtors / Loans and Advances:

Sundry Debtors & Loans & 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.

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

3. EMPLOYEE BENEFITS

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

Particulars	2009-10	2008-09
Employer's Contribution to Provident Fund	6,085	5,132

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	2009-10		2008-09	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Present Value of defined benefit obligation	26,646	1,558	19,257	1,422
Interest Cost	2,129	125	1,541	114
Current service cost	2,646	(206)	7,615	(52)
Add / (Less):				
Actuarial loss/ (gain) on obligations	660	251	(1,767)	74
Present value of defined benefit obligation	32,081	1,727	26,645	1,558

KHODAY INDIA LIMITED (Consolidated Financial Statement)

SCHEDULE - 22

Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account

Significant Accounting Policies & Notes on Accounts

[Rupees in thousands]

PARTICULARS

B. Amount recognized in Consolidated Balance Sheet

Particulars	2009-10		2008-09	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Present value of defined benefit obligation	32,081	1,727	26,645	1,558
Add / Less:				
Unrecognized past service cost	-	-	-	-
Unrecognized transitional liability	-	-	-	-
Unfunded net liability / (asset) recognized in Balance Sheet	32,081	1,727	26,645	1,558
Present value of defined benefit obligation	32,081	1,727	26,645	1,558

C. Expenses recognized in the Consolidated Profit & Loss A/c

Particulars	2009-10		2008-09	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Current service cost	2,646	(206)	7,615	(52)
Interest cost	2,129	125	1,541	114
Add / (Less):				
Net Actuarial loss/(gain) recognized in the year	660	251	(1,767)	74
Net benefit expense	5,435	169	7,389	136

D. Principal Actuarial assumptions at the Balance Sheet date

Particulars	2009-10		2008-09	
	Gratuity (Unfunded)	Leave Encashment (Unfunded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Discount rate	8%	8%	8%	8%
Rate of escalation in salary	4% for Staff 2% for Workers	4% for Staff 2% for Workers	4% for Staff 2% for Workers	4% for Staff 2% for Workers
Mortality rate	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate
Expected Average Remaining working lives of Employees	15	15	16	16
Method used	PUCM	PUCM	PUCM	PUCM



Schedule: 22
Schedule forming part of Balance Sheet and Profit & Loss Account – Financial year 2009-10
Significant Accounting Policies & Notes on Accounts

4. SEGMENT REPORTING
INFORMATION ABOUT BUSINESS SEGMENT

Business segment	Liquor		Glass		Contract		Systems		Others		Eliminations		Consolidated Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
REVENUE														
External Sales	2,905,545	2,151,475	100,986	112,622	-	-	-	-	19,390	20,760	-	-	3,025,922	2,284,857
Inter-Segment Sales	-	-	125,276	134,107	-	-	-	-	38	44	125,314	134,151	-	-
Segment Revenue	2,905,545	2,151,475	226,263	246,728	-	-	-	-	19,428	20,804	125,314	134,151	3,025,922	2,284,857
RESULT														
Segment Result	16,037	8,693	(55,053)	(35,547)	(626)	(768)	(32,945)	(36,940)	15,898	16,174	-	-	(56,689)	(48,387)
Unallocated Income													20,961	43,717
Unallocated Expense													4,560	2,887
Operating Profit													(40,288)	(7,556)
Interest Expenses													43,864	23,631
Interest Income													15,508	1,324
Income tax Expenses													-	2,970
Profit from ordinary activities													(68,644)	(32,832)
Extra-ordinary – Income tax relating to earlier years													13,106	-
Prior Period Items													1,386	2,969
NET PROFIT AFTER TAX AND EXTRA-ORDINARY ITEMS													(56,923)	(35,802)
SEGMENT ASSET AND LIABILITIES														
Segment Assets	2,376,529	2,919,441	47,269	56,784	346,864	347,491	217,490	240,338	49,006	52,542	-	-	3,037,158	3,616,597
Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	2,376,529	2,919,441	47,269	56,784	346,864	347,491	217,490	240,338	49,006	52,542	-	-	3,037,158	3,616,597
Segment Liabilities	1,910,636	2,029,664	238,220	600,857	-	-	407,534	384,755	20,256	95,224	-	-	2,576,646	3,110,500
Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1,910,636	2,029,664	238,220	600,857	-	-	407,534	384,755	20,256	95,224	-	-	2,576,646	3,110,500

KHODAY INDIA LIMITED (Consolidated Financial Statement)

Schedule : 22
Schedule forming part of Balance Sheet and Profit & Loss Account – Financial year 2009-10
Significant Accounting Policies & Notes on Accounts

Business segment	Liquor		Glass		Contract		Systems		Others		Eliminations		Consolidated Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
ITEMS EXCLUDED FROM SEGMENT ASSETS														
Fixed Deposits	9,933	12,124	600	600	-	-	124	124	168	168	-	-	10,825	13,016
Investments	618,302	620,373	-	-	-	-	-	-	21	21	-	-	618,223	620,394
OTHER INFORMATION														
Capital Expenditure	30,651	14,065	4,479	2,324	-	-	-	-	-	-	-	-	35,130	16,390
Depreciation	13,968	14,742	3,585	4,152	626	768	22,830	27,101	1,433	1,444	-	-	42,442	48,207

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"

Geographical Segment	India		Outside India		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
	Segment Revenue	3,017,860	2,279,991	8,062	4,866	3,025,922
Segments Assets	3,037,158	3,616,597	-	-	3,037,158	3,616,597
Capital Expenditure	35,130	16,390	-	-	35,130	16,390



SCHEDULE - 22

Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account

Significant Accounting Policies & Notes on Accounts

[Rupees in thousands]

PARTICULARS

5. Related Party Disclosures

The list of related parties as identified by the Management is as under:

Key Management Personnel

1. K L Ramachandra (Non – Executive Chairman)
2. K L Srihari (Managing Director)
3. K L A Padmanabhasha (Joint Managing Director)
4. K L Swamy (Executive Director)
5. K S Giridhar (Non Executive Director)

Relatives of Key Management Personnel

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

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

KHODAY INDIA LIMITED (Consolidated Financial Statement)

SCHEDULE - 22

Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account Significant Accounting Policies & Notes on Accounts

PARTICULARS

5. Acqua Borewells Private Limited
6. Blendwell bottlers Private Limited
7. Cassonava 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. General mining and minerals
17. Hercules Construction Company Pvt Limited
18. Honeywell Business Private Limited
19. Ingo Property Developers Private Limited
20. Jay Pee Shoes Private Limited
21. K Lakshmana & Company
22. Kankapura Trading Private Limited
23. Khoday Brothers
24. Khoday Breweries Limited
25. Khoday Business Private Limited
26. Khoday Control Systems Private Limited
27. Khoday Eshwarsa and Sons
28. Khoday Hotels Private Limited
29. Khoday Industries (Kuppam) Private Limited



SCHEDULE - 22

Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account
Significant Accounting Policies & Notes on Accounts

PARTICULARS

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

30. Khoday Industries (Hyderabad) Private Limited
31. Khoday Industries Private Limited
32. Khodays Brothers International Limited
33. Khodays Technologies Limited
34. Kilara Power Limited
35. L K Polyfibre Limited
36. L K Power Corporation Limited
37. L K Trust
38. Lakshmi Estate
39. Macdonald Tradings Private Limited
40. Mc Donald Distilleries Private Limited
41. Murugan enterprises
42. National Distilleries Limited
43. North India Distillers Private Limited
44. Panchaganga Tradings Private Limited
45. Panchakalyani Tradings Private Limited
46. Parsan Holiday Resorts Private Limited
47. Peterscot Tradings Private Limited
48. Ram Mohan & Company Private Limited
49. Ransh Coffee Estate
50. River Resorts Limited
51. Saraswathi Estate
52. Sovereign Hotels
53. Spring Borewells Company Private Limited
54. Sree Gurunath Panels
55. Sri Gurunath Tradings Private Limited
56. Sri Narmada Distilleries Private Limited

KHODAY INDIA LIMITED (Consolidated Financial Statement)

57. Surya Watch Industries Private Limited
58. The Distillers Company Private Limited
59. Thiruvonam Wines
60. Tiger Breweries Limited
61. Trishul Wineries & Distilleries Private Limited
62. United Glass Bottles Manufacturing Company Limited
63. Universal Business Concepts Private Limited
64. Universal Trading Company
65. Vaishnavi Communications Private Limited
66. Vindhya Distilleries
67. Vyjayanthi Tradings Private Limited
68. Wesco Power Generation Limited
69. West India Distilleries Private Limited
70. Yajaman Enterprises



SCHEDULE - 22

Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account

Significant Accounting Policies & Notes on Accounts

[Rupees in thousands]

Particulars	2009-10			2008-09		
	Key Management Personnel	Relatives of Key Management Personnel	Entities over which Key Management Personnel and / or their relatives are able to exercise significant influence	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						
Sales	-	-	14,196	-	-	7,993
Sales of assets	-	-	-	-	-	306
Royalty received	-	-	105	-	-	968
B. Expenses						
Purchase of Goods / Services	-	-	23,466	-	-	53,027
Leasing Arrangement / Rent	90	990	3,620	90	990	14,615
Expenses - Travelling, Sales promotion & others	-	-	7,390	-	-	14,623
Purchase of fixed asset	-	-	367	-	-	-
Payment made for acquisition of Shares of Subsidiary	-	-	-	100	-	-
Closing Balance	84,390 Cr	1,097 Cr	233,018 Dr	101,844 Cr	1,296 Cr	241,236 Dr
C. Investment						
In Partnership firm	-	-	617,207	-	-	618,677
D. Others						
Guarantee and Collateral Obtained from *	-	1,066,886	-	-	943,992	-

* - 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

KHODAY INDIA LIMITED (Consolidated Financial Statement)

SCHEDULE - 22

Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account

Significant Accounting Policies & Notes on Accounts

[Rupees in thousands]

PARTICULARS	2009-10	2008-09
6. Leases		
The group has taken certain assets on operating lease and certain assets on Finance Lease. The amounts of further minimal lease payments are stated below:		
Operating Lease:		
Less than 1 year	169	1,260
Later than 1 year & not later than 5 years	Nil	Nil
Later than 5 years	Nil	Nil
Finance Lease:		
Less than 1 year	6,321	5,150
Later than 1 year & not later than 5 years	5,017	5,788
Later than 5 years	Nil	Nil

7. Earnings Per Share

Profit after Taxation as per Profit and Loss Account (in '000s)	A	(56,923)	(35,802)
Total Number of Shares	B	37,591,237	37,591,237
Earnings per Share - Basic (in Rs.) {A/B}		(1.51)	(0.95)
Earnings per Share - Diluted (in Rs.) {A/B}		(1.51)	(0.95)
Face Value per Share (in Rs.)		10.00	10.00

8. Deferred Tax

In accordance with the Accounting Standard - 22 "Accounting for Taxes on Income" the group 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:-

Deferred Tax - Liabilities:			
On Depreciation differences		11,374	4,297
On Prepaid License fees		4,908	9,103
TOTAL	[A]	16,282	13,400
Deferred Tax – Assets			
On provision for Service Tax / Sales Tax		87	807
On Employees Benefits		17,042	15,017
On unabsorbed tax losses and depreciation		21,670	8,625
On Disallowance u/s 40a(ia)		-	2,326
TOTAL	[B]	38,799	26,775
Net Deferred Tax Liabilities / [Assets] [A - B]		(22,517)	(13,375)

**SCHEDULE - 22****Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account****Significant Accounting Policies & Notes on Accounts**

[Rupees in thousands]

PARTICULARS	2009-10	2008-09
9. Contingent Liabilities		
1. Claims against the Group not acknowledged as debts	27,917	11,649
2. Disputed Sales Tax not provided	2,096	8,089
3. Guarantees / Counter – Guarantees given to Bank / Financial Institutions / Government Departments	15,300	16,000

10. Part of Land belonging to the Distillery Division identified on a systematic basis has been revalued on 2nd April 2009 on the basis of Fair market value and converted into Stock in trade. The increase in net book value arising on such revaluation amounting to Rs. 15,988 thousands and the balance in the revaluation reserve of Rs. 9,280 thousands pertaining to this asset on account of revaluation done in the year 1998-99 has been transferred to capital reserve account pursuant to the conversion.

11. Certain confirmation of balances from Sundry Debtors, Loans and advances, Deposits and Sundry Creditors 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

12. Loans and Advances include

- Rs. 2,50,000 thousands towards Lease Deposit given to firms in which some of the Directors are Partners.
- Trade Advance amounting to Rs. 72,809 thousands due from Khoday Breweries Limited in which some of the Directors are interested.

13. Fixed Assets includes a building with a WDV of Rs. 13,327 thousand (Previous Year 14,029 thousands) the title of which is under dispute before the Debt Recovery Tribunal / City Civil Court. Pending resolution of this dispute, the company continues to reckon the Building as an asset in its financial statement.

14. Fixed Deposit of 10,825 thousands (Previous year-Rs.13,016 Thousands) has been pledged with the Banks towards margin money for issuance of bank guarantee.

KHODAY INDIA LIMITED (Consolidated Financial Statement)

SCHEDULE - 22

Schedule forming part of Consolidated Balance Sheet and Profit and Loss Account

Significant Accounting Policies & Notes on Accounts

[Rupees in thousands]

PARTICULARS	2009-10	2008-09
15. Consequent to the revaluation of certain fixed assets carried out in 1998-99, there is an additional charge of depreciation amounting to Rs. 7,599 thousands (Previous year Rs 20,858 thousands) and an equivalent amount has been withdrawn from Revaluation Reserves and credited to the Profit & Loss Account.		

for and behalf of the Board

K. L. RAMACHANDRA
Chairman

K. L. SRIHARI
Vice - Chairman &
Managing Director

As per our report of even date

for Rangaraju & Associates
Chartered Accountants
(Firm Reg No: 6912S)

Place: Bangalore
Date : 06-09-2010

R. VENKAT SUBRAMANYAN
Company Secretary

KRISHNAN RANGARAJU
Partner
Membership No. 18457



Consolidated Cash Flow Statement for the Year Ended 31st March 2010

[Rupees in Thousands]

PARTICULARS	2009-2010	2008-2009
A. Cash flow from Operating Activities		
Net Profit Before Tax	(68,644)	(29,857)
Adjustments for		
Depreciation	42,442	48,207
Loss/(Profit) on sale of Investments	(24)	(3,272)
Loss/(Profit) on sale Fixed Assets	(16)	55
Interest Income	(15,508)	(1,155)
Dividend Income	(27)	(46)
Interest & Bank Charges	189,193	136,452
Sundry credit balances written back	(17,293)	(38,521)
Irrecoverable advances written off	260	4
Bad debts written off	14	-
Loss from Lakshmi Estate (Partnership Firm)	1,470	1,043
Unrealised Foreign Exchange	89	(42)
Operating Profit Before Working Capital Changes	131,956	112,868
Adjustments for:		
(Increase)/Decrease in Sundry Debtors	(81,676)	22,305
(Increase)/Decrease in Inventories	(119,497)	(102,947)
(Increase)/Decrease in Loans & Advances	(76,841)	(16,503)
Increase/(Decrease) in Current Liabilities & Provisions	161,990	(105,163)
Cash Generated from Operations	15,932	(89,440)
Income Tax Paid		
- Direct Tax Paid	(709)	247
- Income tax relating to earlier years	13,106	-
- Current Fringe Benefit Tax	-	(2,920)
- Prior year adjustments	(1,386)	(2,969)
Net Cash from / (Used in) Operating Activities	26,943	(95,082)

KHODAY INDIA LIMITED (Consolidated Financial Statement)

Consolidated Cash Flow Statement for the Year Ended 31st March 2010

[Rupees in Thousands]

PARTICULARS	2009-2010	2008-2009
B. Cash Flow from Investing activity		
Purchase of Fixed Assets	(26,516)	(13,229)
Sale of Fixed Assets	78	300
Capital Work In Progress (WIP)	(8,614)	(3,160)
Purchase of Investments	-	(100)
Proceeds from Sale of Investments	625	3,850
Interest Income (Gross)	14,700	776
Dividend Income	27	46
Net Cash from / (Used in) Investing Activities	(19,701)	(11,517)
C Cash flow from Financial Activities		
Proceeds from Long Term Borrowings	199,654	305,296
Repayment of Long Term Borrowings	(18,314)	(58,377)
Interest & Bank Charges	(188,893)	(136,152)
Net Cash flow from/(Used in) Financing Activities	(7,553)	110,767
Net Cash Flows during the year {A+B+C}	(310)	4,168
Cash & Cash Equivalents(Opening Balance)	75,754	71,544
Cash & Cash Equivalents (Closing Balance)	75,421	75,754
Increase / (Decrease) in Cash & Cash equivalents	(333)	4,210
Unrealised Foreign Currency (US \$) held in Hand	23	(42)
Net Increase / (Decrease) in Cash & Cash equivalents	(310)	4,168

Notes:

1. Cash Flow statement has been prepared under the Indirect method as set out in Accounting standard-3.
2. Figures in brackets indicate cash outflow.



KHODAY INDIA LIMITED

Regd. Off. : "Brewery House", 7th Mile, Kanakapura Road,
Bangalore - 560 062.

Name & address of the Share holder / proxy

Attendance slip

**Forty Fourth
Annual General Meeting**
30th Sept. 2010 at 10.30 a.m.
67, Hotel Vaishnavi Residency
Kanakapura Main Road
Bangalore - 560 078

Folio No.	
Client ID No.	
DP ID No.	
No. of shares held	

Signature of Member / proxy



KHODAY INDIA LIMITED

Regd. Off. : "Brewery House", 7th Mile, Kanakapura Road,
Bangalore - 560 062.

Proxy Form	Folio No.	
	Client ID No.	
Proxy No.	DP ID No.	
Date of Receipt	No. of Shares	
<p>I/We of.....in the district of.....being a member / members of Khoday India Limited hereby appoint..... of.....in the district of.....or failing himof.....in the district of.....as my / our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at # 67, Hotel Vaishnavi Residency, Kanakapura Main Road, Bangalore - 560 078 on Thursday the 30th Sept. 2010 at 10-30 am and at any adjournment thereof.</p> <p>Date : _____</p> <p>Signature of member _____</p>		
<div style="border: 1px solid black; padding: 5px;"> <p>The Proxy form duly completed must reach the Registered Office atleast 48 hours before the commencement of the meeting.</p> </div>		

Shareholders may kindly note that no gift will be given at the meeting