

G r e a t e r   S u c c e s s ,   G r e e n e r   F u t u r e



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

Executive Director  
**P.K. Varghese**

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

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

Chief General Manager  
**Anand Menon**

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

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

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

Bankers  
**ICICI BANK LIMITED**

Registrars and Share Transfer Agents  
**M/s. S.K.D.C. Consultants Limited,**  
**Kanapathy Towers, 3rd Floor,**  
**1391/A-1, Sathy Road,**  
**Ganapathy,**  
**Coimbatore - 641 006.**

Annual General Meeting  
**On Thursday,**  
**28<sup>th</sup> July, 2011 at 3.00 p.m.**

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

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## Financial Highlights

	2010-2011	2009-2010
	₹ in Lakhs	₹ in Lakhs
<b>Sales and Other Income</b>	<b>45436.07</b>	37227.89
<b>Gross Profit (Profit before depreciation and interest)</b>	<b>1359.80</b>	1917.38
<b>Profit before Tax</b>	<b>667.31</b>	1266.14
<b>Net Profit after Tax</b>	<b>449.81</b>	827.27
<b>Shareholders' Equity (Net Worth)</b>	<b>3335.34</b>	3257.45
<b>Capital Employed</b>	<b>6065.52</b>	6419.57
<b>Gross Fixed Assets</b>	<b>7220.58</b>	6956.64
	₹	₹
<b>Shareholders' Equity per Share</b>	<b>104.23</b>	101.80
<b>Earnings per share of ₹ 10 each</b>	<b>14.06</b>	25.85
<b>Dividend Rate</b>	<b>100%</b>	100%



Regd. Office : Solvent Road, Irinjalakuda - 680 121

## NOTICE OF THE MEETING

Notice is hereby given that the 47<sup>th</sup> Annual General Meeting of KSE Limited, Irinjalakuda will be held at the Registered Office of the Company on Thursday, the 28<sup>th</sup> July, 2011 at 3.00 p.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2011, Profit and Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri. A.P. George, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. P.D. Anto, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. K.C. Vijayaraghavan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold Office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

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

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company approves the terms of appointment and remuneration of Shri M.C. Paul as Managing Director of the Company for a further term of three years with effect from 23rd October, 2011 on a remuneration of ₹ 1,05,000 (Rupees One Lakh and Five Thousand Only) per month in the scale of ₹ 1,05,000 - 5,000 - 1,15,000 along with bonus and perquisites as mentioned herein below within the overall limit under Schedule XIII of the Companies Act, 1956, as set out in the draft agreement, submitted to this meeting and for identification signed by the Chairman, which agreement is specifically sanctioned with liberty to the directors to alter and vary the terms and conditions of the said appointment and/or agreement without increasing the remuneration mentioned therein and in such manner as may be agreed to between the Directors and Shri. M.C. Paul:

- (a) Bonus at the rates and in accordance with the rules of the Company as applicable to the senior managerial personnel of the Company within the overall limit under Schedule XIII of the Companies Act, 1956.
- (b) Provision of a car with driver for official purposes and such driver's remuneration/expenses as fixed/approved by the Board shall be reimbursed to him, if he is not provided with Company's driver.
- (c) Free use of Company's telephone at his residence.
- (d) Company's contribution towards Provident Fund to the extent the same is not taxable under the Income-tax Act, 1961.
- (e) Reimbursement of medical expenses incurred for himself and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- (f) Gratuity at the rate of half a month's salary for each year of completed service including past service with the Company.
- (g) Actual leave travel expenses excluding hotel charges once in a year to any place in India to himself and his family.
- (h) Fees to clubs subject to a maximum of two clubs provided that no life membership fee or admission fee is paid.
- (i) Personal accident insurance, the premium of which shall not exceed ₹ 1,000 per annum.

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

8. To consider and if thought fit, to pass with or without modification the following Resolution as a Special Resolution:
- “RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the enhancement of remuneration of Shri. P.K. Varghese, Executive Director of the Company to ₹ 65,000 (Rupees Sixty Five Thousand Only) per month for the period from 1st August, 2011 to 31<sup>st</sup> October, 2012 along with bonus and perquisites within the overall limit under Schedule XIII of the Companies Act, 1956, as mentioned below:
- Bonus at the rates and in accordance with the rules of the Company as applicable to the senior managerial personnel of the Company within the overall limit under Schedule XIII of the Companies Act, 1956.
  - Provision of a car with driver for official purposes and such driver's remuneration/expenses as fixed/approved by the Board shall be reimbursed to him, if he is not provided with Company's driver.
  - Free use of Company's telephone at his residence.
  - Company's contribution towards Provident Fund to the extent the same is not taxable under the Income-tax Act, 1961.
  - Reimbursement of medical expenses incurred for himself and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
  - Gratuity at the rate of half a month's salary for each year of completed service including past service with the Company.
  - Actual leave travel expenses excluding hotel charges once in a year to any place in India to himself and his family.
  - Fees to clubs subject to a maximum of two clubs provided that no life membership fee or admission fee is paid.
  - Personal accident insurance, the premium of which shall not exceed ₹ 1,000 per annum.
- RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year, the Executive Director shall be paid remuneration by way of salary and perquisites as specified above.”
9. To consider and if thought fit, to pass with or without modification the following Resolution as a Special Resolution:
- “RESOLVED that consent of the Company be and is hereby accorded in terms of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 to the enhancement of professional fee payable to Shri A.P. George, Director and Legal Advisor, for legal services rendered to the Company as an Advocate, to ₹ 14,000 (Rupees Fourteen Thousand Only) per month plus reimbursement of actual expenses incurred by him while rendering such legal services, for the period from 1st August, 2011 to 31<sup>st</sup> October, 2012.”
10. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:
- “RESOLVED that Shri. Joseph Xavier, who has been appointed by the Board of Directors of the Company in its meeting held on 29<sup>th</sup> January, 2010 in the casual vacancy arising out of the death of Shri. T.C. Mathew, as per the provisions of Section 262 of the Companies Act, 1956 and by virtue of that Section who has to vacate his office as Director of the Company on 28<sup>th</sup> July, 2011, the date of the Annual General Meeting, be and is hereby appointed as a Director of the Company in terms of Section 257 of the Companies Act, 1956 in respect of which the Company has received notice in writing under his hand signifying his candidature for the office of director along with a deposit of ₹ 500 (Rupees Five Hundred only) as per the provisions of that Section.”

Irinjalakuda  
May 30, 2011

By Order of the Board  
For KSE Limited  
Sd/-  
**R.Sankaranarayanan**  
Company Secretary-cum-General Manager (Finance)

## Notes:

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out above is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote on a poll instead of himself and such a proxy need not be a member. The instrument of proxy must be deposited with the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 19<sup>th</sup> July 2011 to 28<sup>th</sup> July 2011 (both days inclusive).
4. Dividend as recommended by the Board of Directors, if declared at the meeting, will be paid to those members whose names appear in the Register of Members of the Company as on 28<sup>th</sup> July, 2011. In respect of shares held in dematerialised form, the dividend will be paid on the basis of beneficial ownership as per the details furnished by the Depositories for this purpose at the end of business hours as on 18<sup>th</sup> July, 2011.
5. The members are requested to address all correspondences, including dividend matters and change in their addresses, to M/s. S.K.D.C. Consultants Limited, Registrars and Share Transfer Agents, Kanapathy Towers, 3<sup>rd</sup> Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006.
6. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting. Members who hold the shares in the dematerialised form are requested to bring their deposit account number (Client ID No.) for easier identification of attendance at the meeting.
7. Members are requested to utilise the facility to nominate a person to whom the shares held by them shall vest in the event of their death by filing nomination, in the prescribed form, with the Company, as per Sections 109A and 109B of the Companies Act, 1956.
8. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will be transferred to Investor Education and Protection Fund pursuant to Section 205 A of the Companies Act, 1956. It may be noted that no claim shall lie against the Company or the Investor Education and Protection Fund in respect of unclaimed dividend amount thus transferred to the said Fund. The members who have not encashed the dividend warrants for the final dividend for financial year ended 31<sup>st</sup> March 2004 onwards are requested to lodge their claim with the Company.
9. Members have facility for dematerialising equity shares of the Company with National Securities Depository Ltd. and Central Depository Services (India) Ltd. The ISIN No. allotted to the Company is INE953E01014. Any member desirous of dematerialising his holding may do so through any of the Depository Participants.
10. Members whose shareholding is in the electronic mode are requested to approach their respective Depository Participants for effecting change of address and updation of bank account details.
11. Members may note that transferees of shares of the Company in physical form shall furnish copy of PAN Card to the Company/RTAs for registration of such transfer of shares.
12. In terms of clause 49 of the Listing Agreement with Stock Exchanges, brief particulars pertaining to the Directors, who are proposed to be reappointed at this meeting, are given hereunder:
  - (a) Shri. A.P. George, B.A., B.L., aged 75, is a promoter director of the Company effective from 25.09.1963 and is acting as Director and Legal Advisor of the Company from 1.11.1994. He is also acting as the Chairman of the Shareholders'/Investors' Grievance Committee of the Company with effect from 28.09.2002. By profession he is a Senior Advocate of Irinjalakuda Bar. He was also Chairman of Irinjalakuda Municipality for over 7 years. He is also having rich experience in oil milling through his family business.
  - (b) Shri. P.D. Anto, aged 61, hails from a respectable business family of Irinjalakuda, engaged mainly in oil milling. He is having immense experience in oil milling. He joined as a Director of the Company effective from 29.03.1989. He is also acting as a member of the Shareholders' / Investors' Grievance Committee of the Company with effect from 28.09.2002 and that of Remuneration Committee with effect from 1<sup>st</sup> September, 2007.
  - (c) Dr. K.C. Vijayaraghavan, aged 54, hails from a leading business family of Thrissur. He joined the Board of Directors of the Company on 30.04.1990 and is also a member of the Audit Committee effective from 28.09.2002. He is a Paediatrician by profession with a Post Graduate Degree in Paediatrics from University of Bombay (Grant Medical College and J.J. Group of Hospitals, Bombay). At present he is working as a Consultant Child Specialist at Elite Mission Hospital, Thrissur in which he is also a partner.



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

### **Item 7**

Shri M.C. Paul is a Promoter Director and is actively associated with the development of the Company from its inception. He was appointed as Whole-time Director with effect from 23-10-1976 and later on as Executive Director with effect from 23-10-1977. He was further appointed as Managing Director of the Company with effect from 01-11-1994 and still continues as Managing Director of the Company. During his tenure as Managing Director, the business of the Company grew substantially registering steady growth in terms of turnover, profits and reserves and the Company won the National Productivity Award consecutively for ten years from 1996-97 to 2005-06 for the best productivity performance in the category of animal feed processing industry.

The present term of appointment of Shri M.C. Paul as Managing Director of the Company expires on 22<sup>nd</sup> October, 2011. Your Directors are desirous that his valuable services may be continued to be utilised for the benefit of the Company. Accordingly the Board recommends that Shri. M.C. Paul be reappointed as Managing Director of the Company for a further period of three years on a remuneration and perquisites as set forth in the resolution. The Board also recommends that in the event of loss or inadequacy of profits for the Company in any financial year the Managing Director shall be paid remuneration by way of salary and perquisites as specified in the resolution. The draft agreement to be entered into with Shri. M.C. Paul for appointment as Managing Director is available for inspection of members at the Registered Office on all working days between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.

Shri. M.C. Paul is interested in the proposed resolution to the extent of remuneration payable to him. None of the other Directors is interested or concerned in the proposal.

### **Item 8**

Shri. P.K. Varghese was reappointed as Executive Director for a period of three years from 1<sup>st</sup> November, 2009 on a remuneration of ₹ 45,000 per month in the Scale of ₹ 45,000-2,500-50,000 along with perquisites which was approved by the shareholders at the Annual General Meeting held on 27<sup>th</sup> August, 2009. Considering the general increase in remuneration across the Industry, the Board of Directors of the Company at its meeting held on 30<sup>th</sup> May, 2011 recommends to enhance the remuneration payable to Shri. P.K. Varghese as set forth in the above resolution for the remaining period of his appointment.

Shri P.K. Varghese hails from a business family in Irinjalakuda renowned for running oil mills. He is having immense practical experience in oil milling. He is a graduate in Science. The current tenure of his appointment expires on 31<sup>st</sup> October, 2012. The Board accordingly recommends for the enhancement of remuneration of Shri. P.K. Varghese as Executive Director of the Company for the remaining period of his appointment as set forth in the resolution. The Board also recommends that in the event of loss or inadequacy of profits for the Company in any financial year the Executive Director shall be paid remuneration by way of salary and perquisites as specified in the Resolution.

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

### **Item 9**

Shri A.P. George was appointed as Director and Legal Advisor of the Company for a period of three years from 1.11.2009 on a professional fee of ₹ 11,000 per month towards the professional services rendered by him to the Company as an Advocate. Since the volume of work has increased considerably, the Board of Directors at its meeting held on 30<sup>th</sup> May, 2011 recommends to enhance the professional fee payable to him to ₹ 14,000 per month plus reimbursement of actual expenses incurred by him while rendering such legal services, for the remaining period of his appointment with effect from 1<sup>st</sup> August, 2011.

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

### **Item 10**

In order to fill the vacancy in the Board of the Company caused by the death of Shri. T.C. Mathew, a director liable to retire by rotation, the Board appointed Shri Joseph Xavier on 29<sup>th</sup> January, 2010, pursuant to Article 108 (2) of the Articles of Association of the Company, under Section 262 of the Companies Act, 1956. Shri Joseph Xavier holds office only up to the date up to which Shri T.C. Mathew, in whose place he was appointed, would have held office, namely, up to the date of the ensuing Annual General Meeting. The Company has received notice in writing under his hand signifying his candidature for the office of director along with a deposit of ₹ 500 under the provisions of Section 257 of the Companies Act, 1956.

Shri. Joseph Xavier, aged 46 hails from a business family engaged in oil milling, construction and plantations. He is a Post Graduate in Economics and has experience in trading and manufacturing for over 20 years. He is also a member of the Shareholders' / Investors' Grievance Committee of the Company with effect from 29<sup>th</sup> July, 2010.

Your Directors are desirous that his valuable services may be continued to be utilised for the benefit of the Company by appointing him as a Director, liable to retire by rotation, as per the provisions of Section 257 of the Companies Act, 1956. Except Shri Joseph Xavier, none of the other directors is interested in the resolution.



## DIRECTORS' REPORT

Your Directors have pleasure in presenting their 47<sup>th</sup> Annual Report together with the audited accounts for the financial year ended 31<sup>st</sup> March 2011.

### Financial Highlights

(₹ in lakhs)

	For the year ended 31.03.2011	For the year ended 31.03.2010
Profit before depreciation	1123.15	1650.45
Depreciation	455.84	384.31
Taxation including deferred tax	217.50	438.87
Profit after tax	449.81	827.27
Surplus brought forward	246.46	204.24
Transfer to General Reserve	100.00	411.90
Dividend	320.00	320.00
Corporate Dividend Tax	51.91	53.15

### Dividend

Considering the profits for the current year, your Directors recommend a dividend of 100% (₹ 10.00 per share of ₹ 10 each) for the year ended 31<sup>st</sup> March, 2011 which, if approved at the ensuing Annual General Meeting, will be paid to those members whose names appear in the Register of Members of the Company as on 28.07.2011. In respect of shares held in dematerialised form, the dividend will be paid on the basis of beneficial ownership as per the details furnished by the Depositories for this purpose at the end of business hours as on 18.07.2011.

### Operations

The turnover of the Company improved from ₹ 371 crores to ₹ 454 crores during the year ended 31<sup>st</sup> March, 2011, thus registering an increase of 22 % over that of previous year. Though a portion thereof may be attributed to the increase in the selling price of cattle feed, there is considerable volumewise growth in sale of cattle feed. Cattle feed sales volume improved by 12% when it grew from 2.86 lakhs tonnes in the previous year to 3.20 lakhs tonnes in the current year under report. This is despite a loss of production in Vedagiri Unit for six months due to deliberate slowing down of production by a section of workers and consequent lock-out of the Unit. In the first three quarters of the year under report, we had incurred loss due to the abnormal increase in the price of ingredients for cattle feed unmatched with the upward revision in selling prices. However, we could make good the loss in the last quarter as the price of ingredients eased and consequently our margins improved. The mismatch in the prices for feed ingredients and finished products resulted in to a slide in the profits after tax, from ₹ 827.27 lakhs in year 2009-10 to ₹ 449.81 lakhs in the year under report.

The volume of oil cake processing also was maintained more or less at the same levels as that of previous year. This is mainly due to nonavailability of copra cake locally at reasonable price during the last quarter of the current year and also due to postponement of delivery schedule of copra cake imports. During the year under report, though there is a narrow fall of 2.65% in oil cake processing volume, the Oil Cake Processing Division presented a slight improvement in its profits. Your Company could present a reasonable bottom line with the help of Oil Cake Processing Division, where the profit was maintained at the same levels as that of previous year. The better realisation on coconut oil coupled with strategic imports helped the Oil Cake Processing Division to match previous year performance despite the sudden spurt in the price of copra cake.

The sales volume of ice cream is 861 kl compared to previous year figure of 890 kl. In the year 2009-10, we achieved a 12.50% growth in ice cream sales. During the year under report, we concentrated on consolidation of volume and better margins. The Dairy Division excelled its performance by improving the profits from that division by 43% compared to that of previous year.

Cattle Feed and Solvent industries are passing through a very challenging period. The average cost of cattle feed ingredients more than doubled over the last five years. We do not expect a significant fall in the cost of cattle feed ingredients in the immediate future, at the same time also not expecting a sudden spurt. By optimising the feed formulation and adjusting suitably the selling price in tune with the ingredient prices, we expect to better our performance in the next year.

The availability of local copra cake is still experiencing short supply and high price. We have made arrangements to cover up the shortfall by import of copra cake from Philippines and Indonesia at comparatively economical price. The price of coconut oil had surpassed ₹ 100 a kg., which has almost doubled compared to the price a year before, and this is expected to rule for another five to six months. If the price of coconut oil rules at this level as expected, we could present good working results in the next year also.

We had commissioned another ice cream plant with 2000 lpd capacity at Vedagiri in March, 2011. Though there is stiff competition from other local brands, we are aiming to better the performance of Dairy Division with the additional capacities.

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

### **Capital Expenditure**

The ice cream manufacturing Unit adjacent to our existing cattle feed plant at Vedagiri has been commissioned on 28.03.2011. The capital outlay of the new ice cream unit is ₹ 127 lakhs as on 31.03.2011 excluding the value of land already owned by the Company.

### **Awards and Recognitions**

The Company has won the SEA Award constituted by Solvent Extractors' Association of India for highest processor of coconut oil cake for the year 2009-10. This Award is being received by the Company for the past 20 years consecutively since the inception of the award. Your Company has also won the Best Productivity Performance Awards instituted by the National Productivity Council, New Delhi in the category of animal feed processing industry continuously for ten years beginning with 1996-97.

### **Directors**

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

Shri. Joseph Xavier, appointed by the Board in its meeting held on 29<sup>th</sup> January, 2010 pursuant to Section 262 of the Companies Act, 1956 and Article 110 of the Articles of Association of the Company as a Director of the Company in the casual vacancy arising out of the death of Shri T.C. Mathew, vacates his office as Director of the Company at the ensuing Annual General Meeting by virtue of the provisions of the said Section. Your Company has received notice in writing under his hand signifying his candidature for the office of Director along with a deposit of ₹ 500 as per the provisions of Section 257 of the Companies Act, 1956.

### **Directors' Responsibility**

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

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

### **Corporate Governance**

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

### **Auditors**

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

### **Disclosure of Particulars**

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

### **Particulars of employees**

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

### **Acknowledgement**

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

By Order of the Board

Sd/-

**M.C. Paul**

Chairman and Managing Director

Irinjalakuda  
May 30, 2011

## Annexure A to the Directors' Report

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

### A) Conservation of Energy

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

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

#### FORM A

#### Form for disclosure of particulars with respect to conservation of energy

	KONIKKARA UNIT		THALAYUTHU UNIT		VEDAGIRI UNIT
	Milk	Ice Cream	Milk	Ice Cream	Ice cream *
A. Power and Fuel consumption					
Electricity					
(a) Purchased					
Unit (Kwh)	5,00,144 (4,74,406)	2,75,770 (2,69,560)	1,48,541 (1,42,413)	84,676 (82,708)	985 (Nil)
Total Amount (₹)	19,99,451 (18,84,022)	11,02,459 (10,70,511)	8,02,792 (7,18,052)	4,57,250 (4,16,848)	5,122 (Nil)
Rate/unit (₹/Kwh)	4.00 (3.97)	4.00 (3.97)	5.40 (5.04)	5.40 (5.04)	5.20 (Nil)
(b) Own Generation- Diesel Genset					
Unit (Kwh)	41,233 (41,344)	22,729 (23,492)	14,807 (16,541)	8,441 (9,607)	60 (Nil)
Unit (Kwh) / Litre of Diesel	2.72 (2.63)	2.72 (2.63)	2.82 (2.99)	2.82 (2.99)	2.40 (Nil)
Cost/Unit (₹/Kwh)	15.17 (14.78)	15.17 (14.78)	14.15 (12.81)	14.15 (12.81)	16.90 (Nil)
B. Consumption per Unit of Production					
Electricity					
(a) Production / Processing (KL)	5,232 (5138)	710 (742)	3,246 (3221)	157 (145)	2 (Nil)
Consumption per KL (Kwh)	103.47 (100.38)	420.42 (394.95)	50.32 (49.35)	593.10 (636.66)	522.50 (Nil)

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

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

### B) Technology Absorption

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

### C) Foreign Exchange Earnings and Outgo

	2010-2011 ₹ in lakhs	2009-2010 ₹ in lakhs
Foreign Exchange Earnings	Nil	0.45
Foreign Exchange Outgo	1324.70	1825.55

## CORPORATE GOVERNANCE REPORT

### 1. Company's Philosophy on Corporate Governance

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

### 2. Board of Directors

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

During the year 2010-2011, the Board met 12 times, on 29/04/2010, 29/05/2010, 30/06/2010, 29/07/2010, 30/08/2010, 30/09/2010, 28/10/2010, 30/11/2010, 31/12/2010, 31/01/2011, 28/02/2011 and 31/03/2011.

The details of members of the Board, number of equity shares of the Company held by them as on 31.03.2011, number of Board Meetings attended by them during the financial year 2010-11, details as to their attendance in the last AGM, details of other directorships, etc. are given hereunder:

Sl. No.	Name	Category of Director	No. of shares held	No. of Board Meetings attended	Attendance at last AGM held on 29.07.2010	No. of other Directorships*		Committee Memberships	
						Director	Chairman	Member	Chairman
1.	Mr. M.C. Paul Chairman and Managing Director	Executive	37,238	12	Present	—	—	—	—
2.	Mr. P.K. Varghese Executive Director	Executive	8,800	12	Present	—	—	—	—
3.	Mr. A.P. George Director and Legal Advisor	Non-Executive	54,628	12	Present	1	—	—	—
4.	Mr. K.P. John Director	Non-Executive Independent	10,260	12	Present	—	—	—	—
5.	Dr. K.C. Vijayaraghavan Director	Non-Executive Independent	43,250	12	Present	—	—	—	—
6.	Mr. T.R. Ragulal Director	Non-Executive Independent	15,708	6	Present	—	—	—	—
7.	Mr. P.D. Anto Director	Non-Executive Independent	2,800	12	Present	—	—	—	—
8.	Mr. John Francis K. Director	Non-Executive	18,120	12	Present	—	—	—	—
9.	Dr. Jose Paul Thaliyath Director	Non-Executive Independent	21,080	12	Present	—	—	—	—
10.	Mr. Joseph Xavier Director	Non-Executive Independent	10,971	12	Present	—	—	—	—
(appointed as Director in the Board Meeting held on 29 <sup>th</sup> January, 2010 in the casual vacancy arising out of death of Shri. T.C. Mathew)									

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

### 3. Audit Committee

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

The Audit Committee had met five times in the year 2010-11 and the attendance of each member of the Committee was as follows:

Date of Meeting	Members		
	Mr. K.P. John	Dr. K.C. Vijayaraghavan	Dr. Jose Paul Thaliyath
27/05/2010	Present	Present	Present
26/07/2010	Present	Present	Present
26/10/2010	Present	Present	Present
27/01/2011	Present	Present	Present
26/03/2011	Present	Present	Present

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

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

### 4. Remuneration Committee

Remuneration Committee is constituted with Mr. K.P. John, Mr. P.D. Anto and Dr. Jose Paul Thaliyath as its members under the chairmanship of Mr. K.P. John. Remuneration Committee has not met during the year 2010-11 as there was no revision of remuneration to any Director. The broad terms of reference for the Remuneration Committee is to determine, on behalf of Directors and on behalf of the shareholders, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment. The Remuneration Committee while approving the remuneration, takes into account financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration, etc. and brings about objectivity in determining the remuneration package while striking a balance between the interest of the company and the shareholders.

The non-executive directors are paid sitting fees for meetings of the Board or any Committee thereof attended by them. The details of remuneration to the Directors for the year 2010-11 are as follows:

		Salary and allowances ₹	Other Benefits ₹	Professional fees ₹	Sitting fees ₹	Total ₹
1. Mr. M.C. Paul	Chairman and Managing Director	15,28,432	94,200	—	—	16,22,632
2. Mr. P.K. Varghese	Executive Director	7,78,339	50,246	—	—	8,28,585
3. Mr. A.P. George	Director and Legal Advisor	—	—	1,34,000	1,41,000	2,75,000
4. Mr. K.P. John	Director	—	—	—	1,23,000	1,23,000
5. Dr. K.C. Vijayaraghavan	Director	—	—	—	71,250	71,250
6. Mr. T.R. Ragulal	Director	—	—	—	34,500	34,500
7. Mr. P.D. Anto	Director	—	—	—	1,23,000	1,23,000
8. Mr. John Francis K.	Director	—	—	—	69,000	69,000
9. Dr. Jose Paul Thaliyath	Director	—	—	—	71,250	71,250
10. Mr. Joseph Xavier	Director	—	—	—	60,000	60,000

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

## 5. Shareholders' / Investors' Grievance Committee

Shareholders'/Investors' Grievance Committee constituted as per Clause 49 of the Listing Agreement was having Mr. A.P. George as Chairman and Mr. P.D. Anto, Mr. John Francis K., and Mr. T. R. Ragulal as other members of the Committee. The Committee was later reconstituted in the Board meeting held on 29<sup>th</sup> July, 2010 with Mr. A.P. George as its Chairman and Mr. P.D. Anto, Mr. John Francis K., Mr. T. R. Ragulal and Mr. Joseph Xavier as its members. All the Directors who are members of this Committee are non-executive. Mr. R. Sankaranarayanan, Company Secretary-Cum-General Manager (Finance) has been designated as the Compliance Officer. During the year 2010-11, one complaint was received from a shareholder and the complaint received was redressed. No complaint/query was pending reply and no share transfer was pending for registration. The Shareholders'/Investors' Grievance Committee had met four times in the year 2010-11 and it was attended as follows:

Date of Meeting	Members				
	Mr. A.P. George	Mr. P.D. Anto	Mr. T.R. Ragulal	Mr. John Francis K.	Mr. Joseph Xavier
29/05/2010	Present	Present	Present	Present	Not Applicable
27/07/2010	Present	Present	Present	Present	Not Applicable
28/10/2010	Present	Present	—	Present	—
31/01/2011	Present	Present	—	Present	—

## 6. General Body Meetings

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

Name of Meeting	Date and Time		Venue
44 <sup>th</sup> Annual General Meeting	28 <sup>th</sup> August, 2008	at 3.00 p.m.	KSE Limited, Registered Office,
45 <sup>th</sup> Annual General Meeting	27 <sup>th</sup> August, 2009	at 3.00 p.m.	Solvent Road, Irinjalakuda - 680 121
46 <sup>th</sup> Annual General Meeting	29 <sup>th</sup> July, 2010	at 3.00 p.m.	

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

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

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

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

## 7. Disclosures

- i) **Related party transactions:** The transactions of purchase of raw materials, mainly coconut oil cake and cattle feed ingredients from concerns in which few executive and non-executive directors/relatives of directors have interest, and sale of products of the company, to concerns appointed as distributors of the Company in which certain Directors/relatives of Directors have interest, have been made at prices which are reasonable having regard to quality and prevailing market prices for such materials or the prices at which transactions of similar goods or services have been made with other parties. All the transactions covered under related party transactions were fair, transparent and at arms length. The Register of Contracts containing transactions in which Directors are interested, is regularly placed before the Board. Full disclosure of related party transactions as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India is given under Note No. 16 of Notes to the Annual Accounts.

- ii) **Disclosure of Accounting Treatment:** The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.
- iii) **Details of Non-compliance:** No penalty or strictures were imposed on the Company by the Stock Exchanges or SEBI or any authority on any matter related to capital markets during the last three years.
- iv) **Whistle Blower Policy:** Though the Company has not implemented any formal Whistle Blower Policy, no personnel has been denied access to the Audit Committee of the Company.
- v) **Compliance of mandatory and non-mandatory requirements:** The Company has implemented all mandatory requirements of Clause 49 of the Listing Agreement. The Company has complied with the non-mandatory requirement as regards unqualified financial statements, Remuneration Committee and compliance of all the applicable Accounting Standards issued by the Institute of Chartered Accountants of India from time to time. The Company has not complied with the other non-mandatory requirements.

## 8. Code of Conduct

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

## 9. Means of Communication

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

## 10. General Shareholder Information

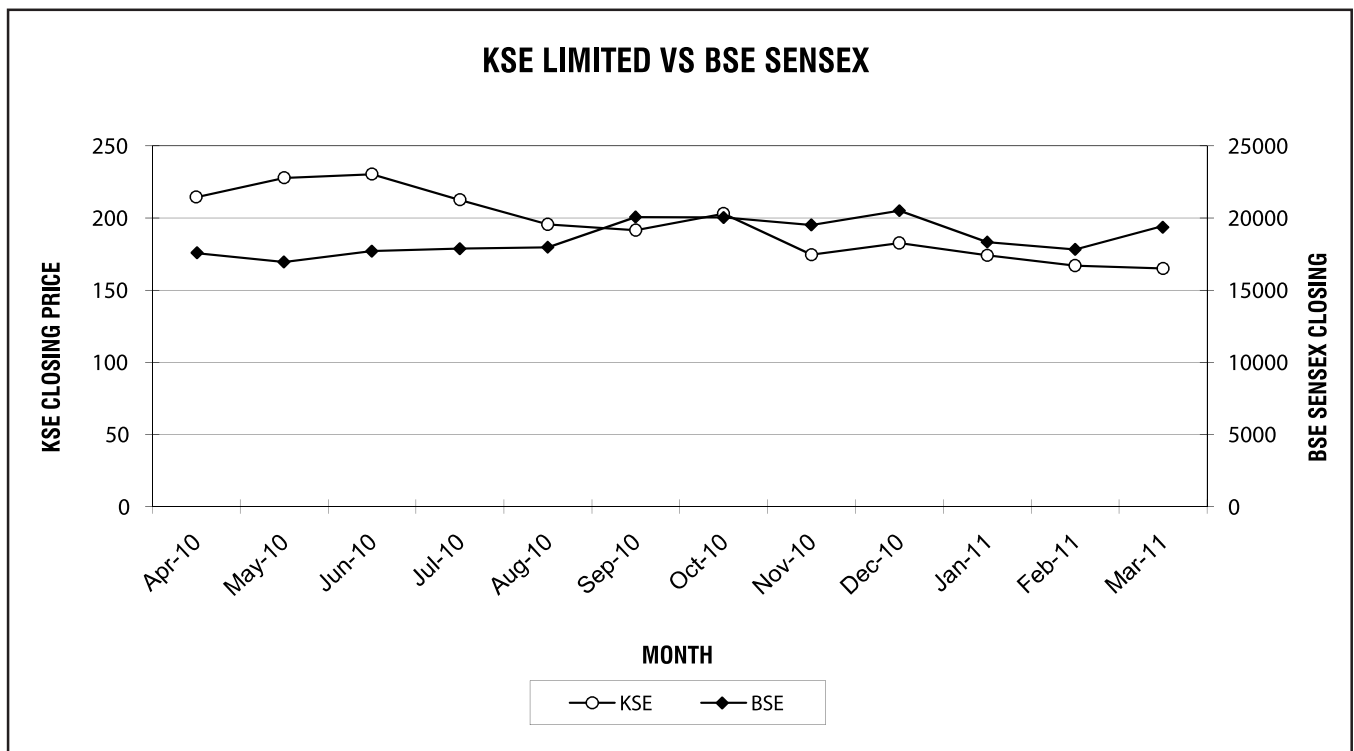
- |   |  |
|---|--|
| i) AGM - Date, time and venue                               | 28 <sup>th</sup> July, 2011 at 3.00 p.m.<br>KSE Limited, Registered Office,<br>Solvent Road, Irinjalakuda - 680 121. |
| ii) Financial Year  | 1 <sup>st</sup> April to 31 <sup>st</sup> March  |
| Unaudited Results for First Quarter                         | Before 15 <sup>th</sup> August, 2011   |
| Unaudited Results for Second Quarter                        | Before 15 <sup>th</sup> November, 2011   |
| Unaudited Results for Third Quarter                         | Before 14 <sup>th</sup> February, 2012   |
| Audited Results for year ending 31 <sup>st</sup> March 2012 | Before 30 <sup>th</sup> May, 2012  |
| iii) Book Closure Date                                      | 19 <sup>th</sup> July, 2011 to 28 <sup>th</sup> July, 2011<br>(both days inclusive)                                  |
| iv) Dividend Payment Date                                   | within 20 days from the date of Annual General Meeting<br>(if declared at the Annual General Meeting)                |
| v) Listing on Stock Exchanges                               | Cochin, Mumbai and Madras Stock Exchanges<br>(permitted to be traded in NSE also,<br>as per arrangement with MSE)    |
| vi) Stock Code  |  |
| Cochin Stock Exchange Ltd.                                  | KSE  |
| The Stock Exchange, Mumbai                                  | 519421   |
| Madras Stock Exchange Ltd.                                  | KSE  |
| National Stock Exchange                                     | KSE  |



vii) Market Price Data  
During Financial year 2010-2011  
(based on BSE data)

Month	High ( ₹ )	Low ( ₹ )
April	239.50	190.00
May	239.80	195.20
June	234.45	211.00
July	287.95	205.00
August	233.40	192.50
September	230.00	190.25
October	230.00	162.00
November	238.00	171.00
December	218.95	170.00
January	202.00	173.00
February	195.00	156.00
March	181.00	159.00

viii) Performance of Share Price in comparison with BSE Sensex during 2010-2011



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

M/s. S.K.D.C. Consultants Limited  
Kanapathy Towers, 3<sup>rd</sup> Floor,  
1391/A-1, Sathy Road,  
Ganapathy,  
Coimbatore - 641 012.  
Telephone : 0422 6549995, 2539835-836  
Fax : 0422 2539837  
E Mail : [info@skdc-consultants.com](mailto:info@skdc-consultants.com)

x) Share Transfer System

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

xi) Shareholding Pattern

Category	As at 31 <sup>st</sup> March 2011		As at 31 <sup>st</sup> March 2010	
	No. of shares held	% of share holding	No. of shares held	% of share holding
Promoter's Holding				
Indian Promoters	<b>10,31,589</b>	<b>32.24</b>	10,27,896	32.12
Sub Total	<b>10,31,589</b>	<b>32.24</b>	10,27,896	32.12
Non Promoter's Holding				
Banks	—	—	—	—
Private Corporate Bodies	<b>5,84,001</b>	<b>18.25</b>	5,50,749	17.21
Indian Public	<b>15,56,123</b>	<b>48.63</b>	15,91,828	49.75
NRIs/OCBs	<b>28,287</b>	<b>0.88</b>	29,527	0.92
Sub Total	<b>21,68,411</b>	<b>67.76</b>	21,72,104	67.88
Grand Total	<b>32,00,000</b>	<b>100.00</b>	32,00,000	100.00

xii) Distribution of share holding

No. of shares held	As at 31 <sup>st</sup> March 2011				As at 31 <sup>st</sup> March 2010			
	No. of Folios	%	No. of shares	%	No. of Folios	%	No. of shares	%
1 to 500	<b>3,996</b>	<b>85.66</b>	<b>5,46,919</b>	<b>17.09</b>	3,872	85.17	5,48,125	17.13
501 to 1000	<b>248</b>	<b>5.32</b>	<b>1,94,267</b>	<b>6.07</b>	243	5.35	1,91,816	6.00
1001 to 5000	<b>317</b>	<b>6.80</b>	<b>6,95,901</b>	<b>21.75</b>	331	7.28	7,34,347	22.95
5001 to 10000	<b>52</b>	<b>1.11</b>	<b>3,54,499</b>	<b>11.08</b>	48	1.06	3,31,325	10.35
10001 and above	<b>52</b>	<b>1.11</b>	<b>14,08,414</b>	<b>44.01</b>	52	1.14	13,94,387	43.57
Total	<b>4,665</b>	<b>100.00</b>	<b>32,00,000</b>	<b>100.00</b>	4,546	100.00	32,00,000	100.00

xiii) Dematerialisation of shares and liquidity

The Company has signed agreements for demat of shares of the Company with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The ISIN number of the Company is INE953E01014. The total number of shares demated as on 31.03.2011 is 13,18,423 - 41.20% (as on 31.03.2010 - 12,65,084 - 39.53%).

xiv) Plant Location

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

xv) Address for correspondence

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

### DECLARATION OF COMPLIANCE OF CODE OF CONDUCT

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

By Order of the Board

Sd/-

**M.C. Paul**

Chairman and Managing Director

Irinjalakuda  
May 30, 2011

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. *Industry Structure and Development*

In the Animal feed division, the price of all major ingredients spiralled upwards. The average raw material price of cattle feed has doubled over the last five years. However in the last quarter of financial year 2010-11, the prices of raw materials eased and thus fell in line with our selling price. This has helped us to wipe off the loss that was reported for the nine months ended 31<sup>st</sup> December, 2010 and report a profit of ₹ 324.51 lakhs in Animal Feed Division for the whole year. The State Government's stubborn decision to retain the retail price of milk at uneconomical levels for the farmer, is the main hurdle for us to adjust the price of cattle feed in tune with the ingredient prices. The competing brands controlled by the State Government holding their feed prices for reasons other than economical also affected our flexibility in adjusting the feed prices. Despite the complexity of the situation, we could improve the sales volume of cattle feed by 12%. Measures like prudent purchase policy, adjustment of selling price, trimming overheads, etc. are being attended to on a regular basis.

In the Oil Cake processing division, there is a slight fall of 2.65% in the quantity of cake processed. In the fourth quarter, we could not procure sufficient quantity of copra cake locally due to non-availability at reasonable prices and there was a delay in the arrival of imported cake. Even then, the division could maintain its profits at the same levels as that of previous year. The Oil Cake processing division by earning a profit of ₹ 467.42 lakhs has made a major contribution to the overall profits.

In the Dairy Division, there is a fall in ice cream sales volume by 3.37%. But this fall in volume is after reporting an improvement in volume to the tune of 12.50 % in the previous year. The ice cream production facility in Vedagiri Unit has been commissioned in March, 2011 and is expected to improve our volumes by catering to the markets in southern parts of Kerala.

### 2. *Opportunities and Threats*

The advantages to your Company in Cattle feed and Solvent industry are (1) its vast experience in those industries for over 38 years (2) its leadership in the market (3) acceptability of the feed and its quality standards in the market (4) prompt after-sales service and good customer relation (5) a lot of prestigious awards and recognitions to prove consistent quality and leadership (6) good net work of dealership (7) talented technical and marketing personnel (8) judicious purchase of materials (9) financial strength of the Company leading to better purchasing power and (10) exemption of value added tax on sale of cattle feed, de-oiled cakes and coconut oil enabling the company to effectively combat with the competitors. The threats to the Company in these two segments are (1) competition from other manufacturers of organised and unorganised sectors, mostly of recent origin with lower overhead as regards labour (2) probable entry of multinational entities (3) upward revision of fuel price increasing the price of ingredients manifold (4) the volatile rupee Vs. dollar situation acts as a non-stimulant in import transactions (5) stagnant numbers in cattle population affecting market growth in future, as cattle rearing is still not very economical (6) granting of subsidy on animal feed by the Government selectively avoiding private manufacturers (7) indirect control by Government over price of milk which is a bottle neck in increasing price of feed to offset increase in raw material prices (8) switching of crop by farmers from oil seeds and grains, required by us as ingredients, to other crops and (9) import of cheaper oils for industrial consumption leading to fall in demand for solvent extracted coconut oil. Your Company is tackling these issues appropriately, by taking timely actions.

The advantages to your Company in Dairy segment are (1) reputation and brand image of the Company for the quality of its products and (2) financial strength of the Company helping to withstand the unhealthy market competitions. The perceived threats to the industry are (1) unhealthy competition from small players who are producing cheaper quality products and (2) entry of big players including multinational corporations in the market catered by your Company (3) Government has introduced excise duty on ice cream at 1 % from 1<sup>st</sup> March, 2011 and the Government may enhance the rate of excise duty in future.

### 3. *Segmentwise Product wise Performance*

On commissioning of the 500 tpd Animal Feed Plant with most modern imported equipments in Irinjalakuda Unit, the Company has increased its production capacity considerably. This plant has helped us to ensure regular supply to the market even during difficult times when the Vedagiri Plant was shut down for about six months. We could also save in the overhead cost due to bulk operation and optimal utilisation of labour. During the first three quarters of 2010-11 though the sales volume has considerably increased, the Animal Feed Division incurred loss to the tune of ₹ 245 lakhs before interest and taxes. This loss for the first three quarters was made good in the last quarter of year 2010-11 and Animal Feed Division reported ₹ 324.51 lakhs as profit before tax and interest for year 2010-11 as a whole.

The Cake Processing Division also maintained its performance compared to previous reporting year 2009-10. This is even after the low availability of local copra cake and steep increase in its prices, which we could make good by better realisation on coconut oil. The Dairy division also performed well in year 2010-11 with high returns and improved the profits before tax of that division by 43 % compared to previous year.

#### 4. **Out look**

The price of ingredients of cattle feed are in line with the realisation from the last quarter of year 2010-11. The situation is expected to continue in year 2011-12 as per present indications. The Animal feed division is expected to perform well in the current year 2011-12. Off late the demand for our cattle feed is also improving which we are expecting to consolidate in the long run. It is expected that the Government of Kerala will increase the retail price of milk leading to better procurement price for milk to the farmers. This will in turn help your Company to adjust the feed price, in case of any upward revision in ingredient prices, without losing the market share. The price of coconut oil is ruling above ₹ 100 per Kg. Though at present the local availability of copra cake is poor, we have covered the shortfall with imports. Local availability of copra cake is expected to improve shortly and the price of coconut oil is expected to rule above ₹ 100 per kg. for a few months. Thus we are hopeful of presenting the same performance in the Oil Cake Processing Division in year 2011-12 also. Addition of capacities for ice cream in Vedagiri Unit will help us to improve the volume of ice cream sales by tapping the southern markets of Kerala.

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

It is reasonably expected that all the prime divisions, namely the Animal feed division, the Oil cake processing division and the Dairy division will present better performance in the year 2011-12 as per present indications. Year 2011-12 is expected to be good and we are aiming to perform better in the current year in volume and in value. Further escalation in ingredient prices is not expected and thus Animal Feed Division is expected to better its performance compared to last year. An upcoming feed mill in south Kerala in the Government Sector may create inroads in our strong markets for a while, but we are not expecting any serious damages as we can combat the same with our well-knit distribution system and excellent after sales services. The much awaited upward revision of milk prices by the Government also will bring in more farmers to cattle rearing thus improving demand for cattle feed. The production volume of refined coconut oil has been increased in the cake processing division instead of selling the crude oil for getting better value addition. We are thus expecting increased capacity utilisation and improved productivity of the solvent and refining plant at Koratty and the solvent plant at Swaminathapuram. Relying on the availability of copra cake at present price levels and price of coconut oil ruling above ₹ 100 per Kg., we are confident of maintaining the performance of cake processing division during 2011-12 also. The Dairy division is also expected to perform well by increased volume of ice cream sales with improved margin. No risks or concerns are perceived by the management, other than those already discussed above.

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

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

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

The total turnover during the year under review improved by 22% compared to immediately preceding year. Though a portion thereof may be attributed to the increase in the selling price of cattle feed, volume-wise growth of cattle feed sales is 12%. Due to reasons already discussed, the after tax profits of the Company registered a decline by 45% and the after tax profit for the year under review is ₹ 449.81 lakhs compared to ₹ 827.27 lakhs in the previous year. The Company is focusing on cost competitiveness and also is in search of new product lines to further improve its overall performance.

## 8. **Industrial Relation**

The Company has 926 employees in its rolls as on 31.3.2011. The Company is an exception to the adverse labour conditions existing in Kerala. During its working of 39 years, the Company had lost only few man-days by labour unrest. However, during the year under review, the Vedagiri Unit was under lock out from 30.09.2010 to 14.02.2011. A section of the employees of that Unit resorted to slowing down of production to press their demand for an interim hike in their remuneration during the validity period of settlement and Management was forced to declare the lock out. After several round of negotiations, the Management arrived at a settlement with the employees on their agreeing to drop their demands and the lock out was lifted. During the lockout period Management had made alternate arrangements to ensure regular supply to the dealers and the performance of the Company had in no way affected. There were no labour issues of a serious nature in any other units of the Company. The management continues to maintain cordial industrial relation with its employees in all Units and is attending to their grievances with an open mind.

## 9. **Caution**

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

Irinjalakuda  
May 30, 2011

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

## **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To

The Members of KSE Limited  
Irinjalakuda

We have examined the compliance of conditions of Corporate Governance by KSE Limited for the year ended 31<sup>st</sup> March 2011 as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

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

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

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

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

Thrissur  
May 30, 2011

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

## AUDITORS' REPORT

To

The Members of KSE Limited  
Irinjalakuda

We have audited the attached Balance Sheet of KSE LIMITED as at 31<sup>st</sup> March 2011, the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

- I. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in Para 4 and 5 of the said Order.
- II. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - (ii) In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of those books.
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (v) On the basis of written representations received from directors and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31<sup>st</sup> March 2011 from being appointed as a director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the accounting policies and other notes attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2011;
    - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Thrissur  
May 30, 2011

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

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

1. In respect of fixed assets-
  - (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) We are informed that most of the fixed assets of the Company have been physically verified by the management during the year, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets and that no material discrepancy has been noticed on such verification.
  - (c) The Company has not disposed off substantial part of fixed assets during the year.
2. In respect of inventories-
  - (a) We are informed that the inventory has been physically verified by the management at the year end, which, in our opinion, is reasonable having regard to the size of the company and the nature of its business.
  - (b) In our opinion and according to the explanations given to us, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - (c) The Company is maintaining proper records of inventory, and as informed to us, discrepancies of material nature were not noticed on physical verification by the management.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) The Company has accepted deposits under the provisions of Section 58 A of the Companies Act, 1956 from 18 parties covered in the Register maintained under Section 301 of the Companies Act, 1956 and the aggregate amount outstanding as on 31.03.2011 is ₹ 98,25,000 (Maximum amount outstanding during the year ₹ 98,25,000). The Company has not taken any other loan, secured or unsecured, from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (c) In our opinion, the rate of interest and other terms and conditions of the deposits accepted by the Company from the Parties listed in the Register maintained under Section 301 of the Companies Act, 1956, are as applicable to other depositors and are in accordance with the Companies (Acceptance of Deposits) Rules, 1975 and are prima facie not prejudicial to the interest of the Company.
- (d) In respect of the above deposits, the payments of principal amounts and interest there on are regular.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods. The Company, being primarily a manufacturing Company, is not rendering any services. During the course of our audit, we have not observed any continuing failure to correct major weakness in the internal controls.
5. In respect of transactions covered under Section 301 of the Companies Act, 1956-
  - (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, have been made at prices which are reasonable having regard to the quality and prevailing market prices at the relevant time.
6. In respect of deposits accepted by the Company from the public, the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under, wherever applicable, have been complied with.
7. In our opinion, the Company has an internal audit system, the scope and coverage of which is commensurate with the size of the Company and nature of its business.
8. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for the products of the Company.



9. In respect of statutory dues-

- (a) As per the information and explanations furnished to us and according to our examination of the records of the Company, except for certain minor delays in remittance of undisputed Income tax deducted at source, the Company has been generally regular in depositing undisputed provident fund and employees' state insurance dues, investor education and protection fund, sales tax, wealth tax, service tax, income tax, customs duty, excise duty, cess and other statutory dues during the year. There are no arrears of undisputed statutory dues of material nature outstanding for a period of more than six months from the date on which they became payable.
- (b) According to the information and explanations given to us and as per the records of the Company examined by us, the following disputed amount of statutory dues have not been deposited with the relevant authorities as at 31<sup>st</sup> March 2011:

Name of the statute	Nature of the dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
KGST Act	Amount disputed on allowability of ST Exemption for refining plant	25,40,012	F.Y. 2000-01	Asst. Commissioner (Assessment)

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

Thrissur  
May 30, 2011

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

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2011

	As per Schedule		As at 31.3.2011 ₹		As at 31.3.2010 ₹
<b>I. SOURCES OF FUNDS</b>					
1. Shareholders' Funds					
a) Share Capital	1	3,20,00,000		3,20,00,000	
b) Reserves and Surplus	2	<u>30,15,34,348</u>	33,35,34,348	<u>29,37,44,846</u>	32,57,44,846
2. Loan Funds					
a) Secured Loans	3	13,68,05,737		20,97,13,554	
b) Unsecured Loans - Fixed Deposits (See Note B. 14)		<u>11,57,10,000</u>	25,25,15,737	<u>8,26,05,000</u>	29,23,18,554
3. Deferred Tax Liability (Net) (See Note B.11)			<u>2,05,02,168</u>		<u>2,38,94,071</u>
<b>TOTAL</b>			<b><u>60,65,52,253</u></b>		<b><u>64,19,57,471</u></b>
<b>II. APPLICATIONS OF FUNDS</b>					
1. Fixed Assets	4				
a) Gross block		70,97,89,492		68,60,04,795	
b) Less : Depreciation		<u>34,10,48,525</u>		<u>29,62,54,563</u>	
c) Net block		36,87,40,967		38,97,50,232	
d) Capital work in progress		<u>1,22,68,744</u>	38,10,09,711	<u>96,58,916</u>	39,94,09,148
2. Investments	5		7,50,100		4,07,61,218
3. Current Assets, Loans and Advances	6				
a) Inventories		32,61,20,439		20,82,61,795	
b) Sundry Debtors		22,75,587		32,21,501	
c) Cash and Bank balances		3,48,06,727		8,60,31,485	
d) Other current assets		3,87,649		3,91,184	
e) Loans and Advances		<u>2,56,95,069</u>		<u>2,98,37,278</u>	
		<u>38,92,85,471</u>		<u>32,77,43,243</u>	
Less : Current Liabilities and Provisions	7				
a) Current Liabilities		12,30,37,806		8,63,28,262	
b) Provisions		<u>4,14,55,223</u>		<u>3,96,27,876</u>	
		<u>16,44,93,029</u>		<u>12,59,56,138</u>	
Net Current Assets			<u>22,47,92,442</u>		<u>20,17,87,105</u>
<b>TOTAL</b>			<b><u>60,65,52,253</u></b>		<b><u>64,19,57,471</u></b>
Significant accounting policies, Notes to accounts and additional information	14				

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

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

**P.K. Varghese**

**A.P. George**

**K.P. John**

**P.D. Anto**

Executive Director

Director & Legal Advisor

Director

Director

As per our report of  
even date attached

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

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

May 30, 2011



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2011

	As per Schedule	Year ended 31.3.2011 ₹	Year ended 31.3.2010 ₹
<b>INCOME</b>			
Sales (Gross)		453,72,44,401	370,97,20,160
Less : Excise Duty		4,41,029	3,00,827
Sales (Net)		453,68,03,372	370,94,19,333
Other income	8	68,04,064	1,33,69,375
Stock differential	9	87,48,663	58,66,951
		455,23,56,099	372,86,55,659
<b>EXPENDITURE</b>			
Raw materials consumed	10	381,47,56,412	301,81,81,732
Cost of finished goods traded	11	—	99,45,091
Manufacturing, administrative, selling and other expenses	12	60,16,20,511	50,87,91,252
Interest and finance charges	13	2,36,63,935	2,66,92,475
Depreciation		4,55,84,554	3,84,31,332
		448,56,25,412	360,20,41,882
Profit before taxation		6,67,30,687	12,66,13,777
Provision for taxation			
Current		2,50,00,000	3,70,00,000
Relating to earlier years (Net)		1,41,888	72,813
Deferred (Net)		(33,91,903)	68,14,269
		2,17,49,985	4,38,87,082
Profit after tax		4,49,80,702	8,27,26,695
Add Surplus carried from previous year		2,46,46,346	2,04,24,451
		6,96,27,048	10,31,51,146
Less : Transfer to General Reserve		1,00,00,000	4,11,90,000
Balance		5,96,27,048	6,19,61,146
Proposed Dividend		3,20,00,000	3,20,00,000
Corporate Dividend Tax		51,91,200	53,14,800
		3,71,91,200	3,73,14,800
Balance carried to Balance Sheet		2,24,35,848	2,46,46,346
Basic and diluted earnings per share (See Note B. 17)		14.06	25.85
Nominal Value per Equity Share		10.00	10.00
Significant accounting policies, Notes to Accounts and additional information	14		

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

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

**P.K. Varghese**

**A.P. George**

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Executive Director

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As per our report of  
even date attached

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

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

May 30, 2011

## SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT 31<sup>st</sup> MARCH 2011

### SCHEDULE 1

	As at 31.3.2011 ₹	As at 31.3.2010 ₹
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
99,40,000 (Previous year 99,40,000) Equity shares of ₹ 10 each	9,94,00,000	9,94,00,000
6,000 (Previous year 6,000) 13.50 % Redeemable cumulative preference shares of ₹ 100 each	6,00,000	6,00,000
	<u>10,00,00,000</u>	<u>10,00,00,000</u>
<b>Issued:</b>		
32,02,820 (Previous year 32,02,820) Equity shares of ₹ 10 each	<u>3,20,28,200</u>	<u>3,20,28,200</u>
<b>Subscribed and Paid up:</b>		
32,00,000 (Previous year 32,00,000) Equity shares of ₹ 10 each		
(Of the above, 19,91,540 (Previous year 19,91,540) shares of ₹ 10 each have been allotted as fully paid up bonus shares by way of capitalisation of Reserves)	<u>3,20,00,000</u>	<u>3,20,00,000</u>

### SCHEDULE 2

#### RESERVES AND SURPLUS

Capital Reserve	70,77,500	70,77,500
Capital Redemption Reserve	3,00,000	3,00,000
Securities Premium	1,62,24,000	1,62,24,000
General Reserve		
As per last Balance Sheet	23,00,00,000	18,88,10,000
Add : Transfer from Profit & Loss Account	<u>1,00,00,000</u>	<u>4,11,90,000</u>
	24,00,00,000	23,00,00,000
Gratuity Reserve (See Note B. 1)	1,54,97,000	1,54,97,000
Surplus in Profit & Loss Account	2,24,35,848	2,46,46,346
	<u>30,15,34,348</u>	<u>29,37,44,846</u>

### SCHEDULE 3

#### SECURED LOANS

Working Capital Loan from Banks		
- Cash credit	9,43,42,946	1,48,12,099
- Short term Rupee Loans	—	10,00,00,000
- Buyer's Credit	—	3,82,84,400
Term Loan from Banks	4,24,62,791	5,66,17,055
(All the above facilities are secured by (1) First Charge by way of hypothecation of all current assets of the Company and Plant and Machinery of Irinjalakuda and Swaminathapuram Units and (2) equitable mortgage of immovable properties of Irinjalakuda and Swaminathapuram Units by deposit of title deeds. The long term Rupee Loan is further secured by equitable mortgage of all immovable properties of Konikkara Unit.) (See Note : B.3)		
	<u>13,68,05,737</u>	<u>20,97,13,554</u>



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

	As at 31.3.2011	As at 31.3.2010
--	--------------------	--------------------

Buildings	23,36,424	30,17,072
Plant and Machinery	59,34,370	35,19,787
Vehicles	5,17,696	—
Intangible Asset - Softwares	8,48,592	—
Pre-operative Expenses	—	3,22,059
Advance for capital account	26,31,662	27,99,998
	<b>1,22,68,744</b>	<b>96,58,916</b>

## SCHEDULE 5

### INVESTMENTS (Non-Trade)

	As at 31.3.2011 ₹	As at 31.3.2010 ₹
1. <b>In Equity Shares</b> (fully paid up - long term - Unquoted)		
a) Jeevan Telecasting Corporation Ltd. 200 (Previous year 200) shares of ₹ 1,000 each	2,00,000	2,00,000
b) Kerala Enviro Infrastructure Ltd. 5,000 (Previous year 5,000) shares of ₹ 10 each	50,000	50,000
c) Cochin Waste 2 Energy Private Ltd. 50,000 (Previous year 50,000) shares of ₹ 10 each	5,00,000	5,00,000
d) Coconut Oil & Copra Producers' Co-operative Society Ltd. 1 (Previous year 1) share of ₹ 100	100	100
	7,50,100	7,50,100
2. <b>In Units of Mutual Fund</b> (Current - Unquoted)		
ICICI Prudential Flexible Income Plan Nil (Previous year - 378409.399 units of ₹ 105.735 each)	—	4,00,11,118
	7,50,100	4,07,61,218

## SCHEDULE 6

### CURRENT ASSETS, LOANS AND ADVANCES

a) Inventories as taken, valued and certified by Management			
– Raw materials	21,91,80,800	12,19,43,929	
– Finished goods - manufactured	5,55,52,644	4,68,03,981	
– Packing materials	2,95,74,660	1,86,93,173	
– Stores & spares and consumables	2,18,12,335	2,08,20,712	20,82,61,795
b) Sundry debtors			
(i) Considered good			
Debts outstanding for a period exceeding 6 months			
Secured	2,56,534	2,20,830	
Unsecured	1,35,598	3,05,771	
Other debts			
Secured	4,48,923	6,80,937	
Unsecured	14,34,532	20,13,963	
(ii) Considered doubtful			
Debts outstanding for a period exceeding 6 months - unsecured	18,68,360	21,50,660	
Less: Provision for doubtful debts	(18,68,360)	(21,50,660)	32,21,501
c) Cash and bank balances			
Cash and cheques on hand (including stamps)			
Cash on hand (including stamps)	28,41,423	43,45,125	
Demand Drafts/Cheques on hand	79,28,960	1,18,81,038	
Bank balances:			
With scheduled banks			
in current accounts	1,94,81,583	5,03,42,077	
in fixed deposits	37,83,430	1,83,26,428	
With others - in current account			
Trichur District Co-operative Bank Limited (Maximum amount due at any time during the year ₹ 15,27,220 - Previous year ₹ 11,36,817)	7,71,331	11,36,817	8,60,31,485
	3,48,06,727		3,91,184
d) Other Current assets - Interest accrued	3,87,649		
e) Loans and advances – unsecured			
(i) Considered good			
– Advances recoverable in cash or in kind or for value to be received	2,17,47,067	2,43,95,561	
– Income tax advance (net of provisions)	—	4,27,113	
– Deposits	39,48,002	50,14,604	
(ii) Considered doubtful	5,17,730	—	
Less: Provision for doubtful advances	(5,17,730)	—	2,98,37,278
	2,56,95,069		
	38,92,85,471		32,77,43,243

	As at 31.3.2011 ₹	As at 31.3.2010 ₹
<b>SCHEDULE 7</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
a) Current Liabilities		
Sundry creditors		
Due to micro enterprises and small enterprises (See Note No. B.15)	—	—
Due to others	7,10,67,437	4,51,94,757
Advances from customers	2,09,44,617	1,69,45,121
Security deposits	94,29,421	92,98,821
Other liabilities	45,42,924	37,03,599
Interest accrued but not due on deposits	1,36,99,777	83,20,333
Amounts liable to be credited to Investor Education and Protection Fund, not due:		
- Unpaid dividend	30,63,822	26,98,460
- Unpaid matured deposits	2,72,000	1,52,000
- Interest accrued on unpaid matured deposits	17,808	15,171
	12,30,37,806	8,63,28,262
b) Provisions for,		
Taxation (net of advance tax)	20,60,176	—
Proposed dividend	3,20,00,000	3,20,00,000
Corporate dividend tax	51,91,200	53,14,800
Gratuity	22,03,847	20,07,692
Leave Encashment	—	3,05,384
	4,14,55,223	3,96,27,876
	16,44,93,029	12,59,56,138
<b>SCHEDULE 8</b>		
<b>OTHER INCOME</b>		
	Year ended 31.3.2011 ₹	Year ended 31.3.2010 ₹
Interest received from banks (TDS ₹ 19,291 - Previous year ₹ 44,713)	3,86,110	3,64,393
Interest received from others (TDS ₹ 25,603 - Previous year ₹ 44,130)	6,89,661	9,55,316
Interest on Income tax	—	13,62,331
Dividend received	1,36,001	11,118
Insurance claim received	5,749	1,05,555
Exchange rate fluctuation gain (net)	6,25,315	48,70,094
Excess provision for doubtful debts written back	2,82,300	—
Profit on sale of assets (net)	13,673	6,76,480
Creditors no more payable written back	—	3,03,841
Miscellaneous income	46,65,255	47,20,247
	68,04,064	1,33,69,375
<b>SCHEDULE 9</b>		
<b>STOCK DIFFERENTIAL</b>		
Opening stock (Finished goods)	4,68,03,981	4,09,37,030
Closing stock (Finished goods)	5,55,52,644	4,68,03,981
	Cr. 87,48,663	Cr. 58,66,951
<b>SCHEDULE 10</b>		
<b>RAW MATERIALS CONSUMED</b>		
Opening stock	12,19,43,929	16,06,50,335
Purchases	391,19,93,283	297,94,75,326
	403,39,37,212	314,01,25,661
Less : Closing stock	21,91,80,800	12,19,43,929
	381,47,56,412	301,81,81,732



Year ended  
31.3.2011  
₹

Year ended  
31.3.2010  
₹

## SCHEDULE 11

### COST OF FINISHED GOODS TRADED

Opening stock	—	10,08,760
Purchases	—	89,36,331
	—	99,45,091
Less : Closing stock	—	—
	—	99,45,091

## SCHEDULE 12

### MANUFACTURING, ADMINISTRATIVE, SELLING AND OTHER EXPENSES

Remuneration and benefits to Employees and Directors			
Salary, wages, gratuity and bonus	14,79,49,918	12,37,17,687	
Contribution to Provident Fund	117,03,639	99,76,777	
Contribution to Employees' State Insurance Corporation	43,08,781	35,32,039	
Contribution to KSE Ltd. Employees' Group Gratuity Fund Trust	1,08,37,795	43,40,966	
Other welfare expenses	1,07,14,223	83,00,406	14,98,67,875
	18,55,14,356		
Processing charges	4,57,53,725	4,59,24,944	
Packing materials consumed	16,09,71,389	13,34,34,714	
Power and fuel	8,58,42,619	7,50,98,113	
Freight	3,45,12,530	2,98,72,623	
Stores and spares consumed	2,80,87,858	2,25,36,179	
Rent	16,08,594	17,52,220	
Rates and taxes (See Note B.13)	91,37,158	41,35,161	
Repairs and maintenance			
Plant and machinery	33,31,086	26,49,403	
Building	21,59,067	18,22,969	
Vehicles	8,62,209	7,81,952	
Others	70,74,250	63,13,490	1,15,67,814
	1,34,26,612		
Travelling and conveyance	33,38,257	34,15,560	
Advertisement and Sales promotion	88,76,034	1,06,26,234	
Postage and telephone	19,81,168	19,94,517	
Printing and stationery	16,60,311	19,06,417	
Insurance	11,80,538	13,01,837	
Sitting fees to Directors	6,93,000	6,42,750	
Auditors' fees and expenses (See Note B. 5)	10,87,372	10,17,884	
Professional charges	13,91,710	8,28,123	
Bank charges	87,18,387	56,10,076	
Excise Duty on Inventories	18,320	—	
Commission and Brokerage	4,07,756	1,10,934	
Irrecoverable debts/advances written off	8,42,078	3,68,612	
Provision for doubtful debts/advances	5,17,730	9,39,300	
General charges	60,53,009	58,39,365	
	60,16,20,511	50,87,91,252	

## SCHEDULE 13

### INTEREST AND FINANCE CHARGES

On fixed loan	1,81,40,233	1,36,69,306
On others	55,23,702	1,30,23,169
	2,36,63,935	2,66,92,475

## SCHEDULE 14

### NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2011

#### A. SIGNIFICANT POLICIES:

- i) **Basis of Accounting:** The financial statements are prepared under historical cost convention on accrual basis of accounting in conformity with the accounting principles generally accepted in India and are in compliance with the accounting standards notified by the Companies (Accounting Standards) Rules, 2006.
- ii) **Use of Estimates:** The presentation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and the estimates are recognised in the period in which the results are known / materialised.
- iii) **Fixed Assets:**
  - (a) Fixed assets are stated at cost of acquisition, less accumulated depreciation.
  - (b) In the case of fixed assets acquired for new projects / expansion, expenses incurred during construction period are carried forward under 'Pre-operative expenses' and are capitalised and allocated to the respective fixed assets on commencement of commercial production.
  - (c) As at the balance sheet date an assessment is done to determine whether there is any indication of impairment in the carrying amount of fixed assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.
- iv) **Depreciation:** Depreciation on fixed assets has been provided on written down value method at the rates prescribed in Schedule XIV of the Companies Act, 1956, except on leasehold land which is amortised over the period of lease.
- v) **Investments:** Long-term investments are stated at cost less provision for diminution, if any, in the value of such investments, other than that of temporary nature. Current investments are carried at lower of cost and fair value.
- vi) **Inventories:** Inventories as at the close of the year are valued at lower of cost or net realisable value. Cost includes cost of purchases, conversion and other costs, as the case may be, incurred in bringing the inventories to their present location / condition, determined on the following methods:
  - (a) Raw materials - First In First Out (FIFO)
  - (b) Packing materials - First In First Out (FIFO)
  - (c) Stores & spares and consumables:
    - i. Furnace Oil, Diesel and Boiler Fuel - First In First Out (FIFO)
    - ii. Others - At weighted average cost
- vii) **Foreign Currency Transactions, Forward Contracts and Derivatives:** Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities outstanding at the Balance Sheet date are translated at the applicable exchange rates prevailing at the year-end. The exchange gains / losses arising during the year are adjusted to the Profit and Loss Account.

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

Exchange gains or losses on derivative instruments entered to hedge risks associated with foreign currency fluctuations and on forward exchange contracts, which are intended to hedge the foreign currency risks of future transactions in respect of which firm commitments are made or which are highly probable forecast transactions are determined by marking such contracts outstanding on Balance Sheet date to market. Exchange loss arising on such instruments / contracts is provided in the accounts, while gains are not recognised in accordance with the Announcement on Accounting for Derivatives issued by the Institute of Chartered Accountants of India.
- viii) **Revenue Recognition:** Sales are recognised on transfer of title of the goods to the customers. Other incomes are recognised on accrual basis except when there are significant uncertainties.
- ix) **Claims:** Claims are accounted for as and when finally determined / settled.

- x) **Grants / Subsidies related to capital assets:** Grants / Subsidies received, specifically related to capital asset, are credited to the carrying cost of the respective asset. Other Grants / Subsidies received are credited to capital reserve.
- xi) **Employee Benefits**
- A. Short-term employee benefits:  
All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and they are recognised in the period in which the employee renders the related service. The Company recognises the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.
- B. Post-employment benefits:
- (a) Defined contribution plans  
Defined contribution plans are Provident Fund Scheme and Employees' State Insurance Scheme administered by the Government for all eligible employees. The Company's contributions to defined contribution plans are recognised in the Profit and Loss Account in the financial year to which they relate.
- (b) Defined benefit gratuity plan  
The company makes contributions to the Employee's Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India. The net present value of the obligation for gratuity benefits as determined on independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past services cost, if any, and as reduced by the fair value of plan assets, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss account for the period in which they occur.  
Gratuity in respect of whole-time directors is provided for on gross (undiscounted) basis and charged to Profit and Loss Account.  
Past service cost is recognised immediately to the extent that the benefits are already vested, else is amortised on a straight-line basis over the average period until the amended benefits become vested.
- C. Other long term employee benefits  
The company has a scheme for compensated absences for eligible employees. The company makes contributions to the Scheme of the Life Insurance Corporation of India. The net present value of the obligation for compensated absences as determined on independent actuarial valuation, conducted annually using the projected unit credit method and as reduced by the fair value of plan assets, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss account for the period in which they occur.
- xii) **Borrowing Cost:** Borrowing costs that are attributable to the acquisition or construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.
- xiii) **Taxes on Income:** Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.
- xiv) **Segment Reporting:** The Company's primary segments (business segments) have been identified as (a) Animal Feed Division (b) Oil Cake Processing Division and (c) Dairy Division comprising milk and milk products including ice cream. There are no reportable geographical segments. Segment revenue, segment results, segment assets and segment liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable estimate. The expenses, which are not directly attributable to any of the business segment are shown as unallocated expenditure. Assets and liabilities that cannot be allocated between the segments are shown as part of unallocated assets and liabilities respectively. Inter segment transfer of processed materials are accounted considering the estimated realisable value of such goods.
- xv) **Provisions and Contingencies:** Provisions for losses and contingencies arising as a result of a past event where the management considers it probable that a liability may be incurred are made on the basis of the best reliable estimates of the expenditure required to settle the present obligation on the balance sheet date and are not discounted to its present value. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Other contingent liabilities to the extent management is aware is disclosed by way of notes to accounts.
- xvi) **Earnings per share:** Basic / diluted earnings per share is calculated by dividing the net profit / loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares / dilutive potential equity shares outstanding as at the end of the year as the case may be.

## B. NOTES TO ACCOUNTS

1. Gratuity Reserve under Reserves & Surplus represents amount set apart towards gross (undiscounted) gratuity liability of all the eligible employees as reduced by the amount available with the Employees Group Gratuity Fund Trust of the Company constituted under the Group Gratuity cum Assurance Scheme of the Life Insurance Corporation of India, including interest accrued thereon. Excess Gratuity Reserve as at the year-end over such liability, if any, is retained therein. The contribution made to the Trust is charged to Profit and Loss Account as mentioned in Note No. (A) (xi).
2. In the opinion of the Directors, Current Assets, Loans and Advances have the value at which they are stated in the Balance Sheet, if realised in the ordinary course of business.
3. Secured loans include loans repayable within one year - ₹ 10,84,97,210 (Previous Year ₹ 16,72,50,763).
4. Contingent Liabilities not provided for in the accounts
 

	Current Year ₹	Previous Year ₹
a) Claims against the Company not acknowledged as debts:		
(i) Customs Duty	47,05,015	47,05,015
(ii) Kerala General Sales Tax	25,40,012	25,40,012
(iii) Freight/demurrage demanded by Indian Railways	82,42,304	75,95,504
(iv) ESI	3,57,085	2,90,275
(v) Electricity	1,33,288	9,59,822
b) Estimated amount of contracts remaining to be executed on capital account not provided for	40,58,395	85,97,965
c) (i) Letter of credit for import of raw materials / capital goods	6,40,28,100	1,53,68,000
(ii) Bank Guarantees	12,81,430	8,72,985
5. Auditors' fee and expenses		
For Audit	5,50,000	5,00,000
For Tax audit	55,000	55,000
For Sales-tax audit	55,000	55,000
For Taxation matters	25,000	20,000
For Certification works	1,56,000	1,56,000
Travelling and out-of-pocket expenses	1,61,263	1,54,140
Service Tax on the above	85,109	77,744
Total	10,87,372	10,17,884
6. Lease rental payments		
(a) Recognised in profit and loss account	16,08,594	17,52,220
(b) Future Minimum lease rentals payable as per lease agreement at the year end		
(i) Not later than one year	1,07,650	1,39,050
(ii) Later than one year and not later than five years	13,95,500	1,13,700
Total	15,03,150	2,52,750
(c) The Company has hired buildings under rental arrangements which are treated as operating lease.		
7. Currency options as at the Balance Sheet date is as under:		
Currency Options-to hedge import payables USD / INR	—	US \$ 3,40,000
Currency Options-to hedge US Dollar loans USD / INR	—	US \$ 8,47,000

As a part of company's risk management policy, the exchange risks arising from foreign currency fluctuations are hedged by currency options. There are no unhedged import/loans payables as at the Balance Sheet date.

8. Details of purchases / sales of investments

Particulars	Purchases		Sales	
	No. of Units	₹	No. of Units	₹
ICICI Prudential Flexible Income Plan: Current Year	3,79,590.498	4,01,36,001	7,57,999.897	8,01,47,119
Previous Year	3,78,409.399	4,00,11,118	Nil	Nil

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

**I. Defined Contribution Plans**

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

	2010-11 ₹	2009-10 ₹
Employer's Contribution to Provident Fund	1,17,03,639	99,76,777
Employer's Contribution to Employee's State Insurance Fund	43,08,781	35,32,039

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

	<b>Gratuity (Funded)</b>		<b>Compensated Absences (Funded)</b>	
	2010-11	2009-10	2010-11	2009-10
(i) Actuarial assumptions				
Discount rate (per annum)	8%	7%	8%	7%
Expected rate of return on plan assets (per annum)	8%	8%	8%	8%
Salary escalation rate* (per annum)	5%	5%	5%	5%
(* The assumption of future salary increases takes into account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.)				
Mortality Rate	Indian Lives Mortality (1994-96) Ultimate Table ₹		Indian Lives Mortality (1994-96) Ultimate Table ₹	
(ii) Reconciliation of present value of obligations				
Present value of obligation at the beginning of the year	4,49,28,853	3,89,28,310	48,33,684	33,63,671
Current Service cost	34,76,539	28,74,112	62,60,129	53,39,138
Interest Cost	32,66,699	28,25,576	6,37,100	4,22,327
Actuarial (gain) / loss	83,92,679	22,61,934	(47,04,837)	(25,72,848)
Benefits paid	(30,66,505)	(19,61,079)	(24,81,113)	(17,18,604)
Present value of obligation at the end of the year	5,69,98,265	4,49,28,853	45,44,963	48,33,684
(iii) Reconciliation of fair value of plan assets				
Fair value of plan assets at the beginning of the year	4,72,19,267	4,02,31,642	45,28,300	41,58,083
Expected return on plan assets	37,77,541	32,18,531	3,62,264	3,32,647
Actuarial gain / (loss)	5,20,581	4,02,125	56,492	51,871
Contributions	1,32,00,809	53,28,048	14,77,179	1,060
Benefits paid	(30,66,505)	(19,61,079)	—	(15,361)
Fair value of plan assets at the end of the year	6,16,51,693	4,72,19,267	64,24,235	45,28,300
(iv) Description of Plan Assets				
Insurer Managed Assets	6,16,51,693	4,72,19,267	64,24,235	45,28,300
(v) Net (Asset) / Liability recognised in the Balance Sheet as at the year end				
Present value of obligation at the end of the year	5,69,98,265	4,49,28,853	45,44,963	48,33,684
Fair value of plan assets at the end of the year	6,16,51,693	4,72,19,267	64,24,235	45,28,300
Net present value of unfunded obligation recognised- as (asset) / liability in the Balance Sheet	(46,53,428)	(22,90,414)	(18,79,272)	3,05,384
(vi) Expenses recognised in the Profit and loss Account				
Current Service Cost	34,76,539	28,74,112	62,60,129	53,39,138
Interest Cost	32,66,699	28,25,576	6,37,100	4,22,327
Expected return on plan assets	(37,77,541)	(32,18,531)	(3,62,264)	(3,32,647)
Actuarial (gain) / loss recognised in the period	78,72,098	18,59,809	(47,61,329)	(26,24,719)
Total expenses recognised in the Profit and Loss Account for the year	1,08,37,795	43,40,966	17,73,636	28,04,099
Actual return on plan assets	42,98,122	36,20,656	4,18,756	3,84,518

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

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

	Current Year ₹	Previous Year ₹
Salary and bonus	19,18,742	17,89,742
Contribution to Provident Fund	1,91,874	1,78,974
Provision for Gratuity	1,96,155	2,07,692
Other benefits	1,44,446	2,57,046
	<u>24,51,217</u>	<u>24,33,454</u>

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

Deferred tax liability towards accumulated depreciation difference	2,21,77,713		2,57,62,258
Deferred tax assets on account of			
- Provision for Employees' Benefits	9,01,378	11,53,791	
- Others	<u>7,74,167</u>	<u>7,14,396</u>	18,68,187
Net deferred tax liability	<u>2,05,02,168</u>		<u>2,38,94,071</u>

12. Pre-operative expenses allocated to fixed assets in respect of new ice cream plant at Vedagiri commissioned on 28.03.2011, have been itemised as per Schedule VI Part II of the Companies Act, 1956 as under:

	Current Year ₹	Previous Year ₹
Opening Balance	3,22,059	69,96,133
Interest and Finance Charges - on fixed loans	—	27,03,223
Salary/wages and Welfare Expenses	41,345	—
Stores and Spares	5,436	—
Rates and Taxes	50,879	4,15,000
Power and Fuel	51,945	—
Repairs and Maintenance	24,456	—
Insurance	6,309	—
Travelling and Conveyance	13,167	42,576
Printing and Stationery	1,370	34,850
Others	98,652	1,29,327
	<u>6,15,618</u>	1,03,21,109
Less : Allocated to assets put to use and capitalised during the year	<u>6,15,618</u>	99,99,050
Balance included under Capital Work in Progress	<u>—</u>	<u>3,22,059</u>

13. Rates and Taxes under Manufacturing, Administrative, Selling and Other Expenses (Schedule 12) include ₹ 50,09,289 in respect of sales tax demands (including interest ₹ 5,51,447) for the financial years 2001-02 and 2004-05 remitted under Amnesty Scheme of the Government of Kerala. The demand arose as a result of rejection of sales tax exemption claimed by the Company and the matter is on appeal.

14. Fixed Deposits grouped under Unsecured Loans include deposits due to Directors ₹ 4,77,000 (Previous year ₹ 4,69,000), the Interest accrued but not due on deposits grouped under Current Liabilities include interest accrued on the deposits accepted from Directors ₹ 4,331 (Previous year ₹ 3,992) and Interest and Finance Charges include ₹ 51,403 (Previous year ₹ 49,063) being interest paid on deposits accepted from Directors. The said deposits were accepted under the Companies (Acceptance of Deposits) Rules, 1975 on the same terms and conditions as applicable to other depositors.

15. Steps have been taken to identify the suppliers who qualify under the definition of micro and small enterprises, as defined under the Micro, Small and Medium Enterprises Development Act 2006. Since no intimation has been received from the suppliers regarding their status under the said Act as at 31<sup>st</sup> March 2011, disclosures relating to amounts unpaid as at the year end, if any, have not been furnished. In the opinion of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act, is not expected to be material.



## 16. Related Party Disclosure

- a) Key management personnel  
 Mr. M.C. Paul - Chairman and Managing Director  
 Mr. P.K. Varghese - Executive Director
- b) Enterprises over which key management personnel and their relatives are able to exercise significant influence having transactions with the Company  
 M/s. Emceepee Traders; M.C. Paul & Sons; MCP Rose Super Market Pvt. Ltd.; Emceepee Agencies; Surya Agencies; Supreme Traders and Pokkath Auto Fuels.
- c) Relatives of Key Management Personnel having transactions with the Company  
 Mrs. Annie Paul; Mrs. Pushpam Bright; Dr. Francis Alappat; Mrs. Usha Francis; Dr. James Chettupuzhakkaran; Mr. Bellraj Eapen; Mrs. Binu Ann; Mrs. Anu Maria; Mrs. Megha Ann Tomy; Mrs. Anu V. Koithara and Mrs. Mariamma Francis.

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

	Current Year ₹	Previous Year ₹
i) Payment to key management personnel		
Remuneration	24,51,217	24,33,454
Balance outstanding as at the year end		
- Payables (bonus payable and gratuity provided in accounts)	25,23,637	23,05,982
- Receivables	—	—
ii) Transactions with enterprises over which key management personnel and their relatives are able to exercise significant influence		
Sale of products	62,53,926	79,39,669
Purchase of materials	4,33,018	66,93,809
Godown Rent	—	42,000
Sales Promotion	29,701	37,496
Security deposit Interest	2,700	2,700
Expenses reimbursed	3,954	5,766
Balance outstanding as at the year end		
- Payables	44,958	49,965
- Receivables	—	—
iii) Transactions with relatives of key management personnel		
Interest on fixed deposits paid / due	8,28,981	5,60,726
Balance outstanding as at the year end		
- Payables (fixed deposits including accrued interest)	80,36,141	69,34,247
- Receivables	—	—

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

## 17. Earnings Per Share :

	Current Year	Previous Year
Profit after tax as per Profit and Loss Account (₹)	4,49,80,702	8,27,26,695
Number of Equity Shares	32,00,000	32,00,000
Basic and diluted earnings per share (₹)	14.06	25.85



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

₹

	Animal Feed	Oil Cake Processing	Dairy	Total
a) Segment Revenue	<b>366,86,84,270</b> (303,39,85,377)	<b>102,90,87,312</b> (86,62,18,183)	<b>17,31,57,152</b> (15,11,06,209)	<b>487,09,28,734</b> (405,13,09,769)
Less : Inter-segment Revenue	—	<b>33,41,25,362</b> (34,18,90,436)	—	<b>33,41,25,362</b> (34,18,90,436)
Total Revenue	<b>366,86,84,270</b> (303,39,85,377)	<b>69,49,61,950</b> (52,43,27,747)	<b>17,31,57,152</b> (15,11,06,209)	<b>453,68,03,372</b> (370,94,19,333)
b) Segment Results	<b>324,51,054</b> (9,43,87,337)	<b>4,67,42,204</b> (4,82,53,880)	<b>1,44,94,182</b> (1,01,46,738)	<b>9,36,87,440</b> (15,27,87,955)
Less : Unallocated expenditure (net of unallocated Income)				<b>32,92,818</b> (- 5,18,297)
Less : Interest				<b>2,36,63,935</b> (2,66,92,475)
Total Profit / Loss (-) before tax				<b>6,67,30,687</b> (12,66,13,777)
c) Segment Assets	<b>44,41,24,548</b> (41,14,50,773)	<b>19,38,21,694</b> (14,65,99,192)	<b>6,99,46,284</b> (5,11,46,926)	<b>70,78,92,526</b> (60,91,96,891)
Unallocated Assets				<b>6,31,52,756</b> (15,87,16,718)
Total Assets				<b>77,10,45,282</b> (76,79,13,609)
d) Segment Liabilities	<b>8,85,24,728</b> (6,32,62,315)	<b>1,18,67,176</b> (71,59,404)	<b>90,71,227</b> (70,33,655)	<b>10,94,63,131</b> (7,74,55,374)
Unallocated Liabilities				<b>32,80,47,803</b> (36,47,13,389)
Total Liabilities				<b>43,75,10,934</b> (44,21,68,763)
e) Segment Capital Expenditure	<b>60,73,268</b> (3,49,53,765)	<b>12,17,547</b> (3,24,252)	<b>1,65,83,950</b> (9,20,308)	<b>2,38,74,765</b> (3,61,98,325)
Unallocated Capital Expenditure				<b>34,52,033</b> (1,86,57,618)
Total Capital Expenditure				<b>2,73,26,798</b> (5,48,55,943)
f) Segment Depreciation	<b>2,81,59,706</b> (2,04,02,702)	<b>1,06,61,866</b> (1,19,39,294)	<b>39,80,682</b> (43,28,577)	<b>4,28,02,254</b> (3,66,70,573)
Unallocated Depreciation				<b>27,82,300</b> (17,60,759)
Total Depreciation				<b>4,55,84,554</b> (3,84,31,332)
g) There is no significant non-cash expenses, included in segment expenses, other than depreciation in respect of segment assets.				

Notes : a) Unallocated Assets include Capital Work in Progress ₹ 1,22,68,744 (₹ 96,58,916) Investments ₹ 7,50,100 (₹ 4,07,61,218), Cash and Bank Balance ₹ 3,48,06,727 (₹ 8,60,31,485) and Income tax Advance (net of provisions) Nil (₹ 4,27,113).

b) Unallocated Liabilities include Secured Loans ₹ 13,68,05,737 (₹ 20,97,13,554), Unsecured Loans ₹ 11,57,10,000 (₹ 8,26,05,000), Deferred Tax ₹ 2,05,02,168 (₹ 2,38,94,071), Provision for Taxation (net of advance) ₹ 20,60,176 (Nil) and Provision for proposed dividend and corporate dividend tax ₹ 3,71,91,200 (₹ 3,73,14,800).

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

19. Figures of the previous year have been regrouped and recast wherever necessary to suit the current year's layout. Figures in brackets denote the corresponding figures for the previous year.

## 20. ADDITIONAL INFORMATION PURSUANT TO PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956

### A. PARTICULARS IN RESPECT OF CAPACITY AND PRODUCTION / PROCESSING

Sl. No.	Class of goods manufactured	Licensed capacity in MT/KL	Installed capacity of own factories in MT/KL	Actual Production in MT/KL	
				Own factories	Other factories
1.	Solvent Extracted Coconut Oil	Not applicable	Processing of 90,000 MT of Coconut Oil Cake	<b>5,465*</b> (5,589)	— (Nil)
2.	De-oiled Coconut Cake	Not applicable		<b>57,365*</b> (58,782)	— (Nil)
3.	Ready-mixed Cattle Feed and Feed Supplement	Not applicable	3,67,800	<b>2,55,434</b> (2,12,900)	<b>65,360</b> (72,674)
4.	Refined Oil	Not applicable	30,000	<b>1,608</b> (1,604)	
5.	Milk	18,250	18,250	<b>5,332*</b> (5,197)	
6.	Ice Cream	1,250	1,250	<b>869</b> (887)	

\* Including quantities used for captive consumption.

### B. PARTICULARS IN RESPECT OF STOCK AND TURNOVER

Sl. No.	Class of goods manufactured	Opening		Closing		Sales	
		Qty. in MT/KL	Value (₹)	Qty. in MT/KL	Value (₹)	Qty. in MT/KL	Value (₹)
1.	Solvent Extracted Coconut oil	<b>103</b> (84)	<b>34,40,619</b> (35,77,574)	<b>59</b> (103)	<b>27,64,127</b> (34,40,619)	<b>3,880</b> (3,770)	<b>22,71,72,323</b> (14,83,05,240)
2.	De-oiled Coconut Cake	<b>1,975</b> (2,040)	<b>1,75,58,694</b> (1,55,96,710)	<b>1,089</b> (1,975)	<b>2,85,68,309</b> (1,75,58,694)	<b>25,050</b> (23,594)	<b>33,67,23,269</b> (29,51,59,022)
3.	Ready-mixed Cattle Feed and Feed Supplement	<b>1,864</b> (1,491)	<b>1,82,44,701</b> (1,23,78,308)	<b>1,961</b> (1,864)	<b>2,08,51,427</b> (1,82,44,701)	<b>3,20,216</b> (2,85,865)	<b>364,97,26,488</b> (301,20,62,179)
4.	Refined Oil	<b>123</b> (150)	<b>48,84,895</b> (69,55,851)	<b>5</b> (123)	<b>2,68,696</b> (48,84,895)	<b>1,605</b> (1,569)	<b>12,30,55,237</b> (7,20,39,363)
5.	Milk	<b>20</b> (23)	<b>3,69,426</b> (3,98,234)	<b>18</b> (20)	<b>3,86,017</b> (3,69,426)	<b>4,693</b> (4,543)	<b>11,30,81,633</b> (9,22,63,656)
6.	Ice Cream	<b>22</b> (25)	<b>7,47,724</b> (8,63,242)	<b>30</b> (22)	<b>11,09,342</b> (7,47,724)	<b>861</b> (890)	<b>4,60,61,098</b> (4,55,50,988)
7.	Others		<b>15,57,922</b> (11,67,111)		<b>16,04,725</b> (15,57,922)		<b>4,09,83,324</b> (4,40,38,885)
	Total		<b>4,68,03,981</b> (4,09,37,030)		<b>5,55,52,644</b> (4,68,03,981)		<b>453,68,03,372</b> (370,94,19,333)

### C. RAW MATERIALS CONSUMED

	Units	Year ended 31 <sup>st</sup> March 2011		Year ended 31 <sup>st</sup> March 2010	
		Qty.	Value (₹)	Qty.	Value (₹)
(a) Coconut Oil Cake	MT	73,540	98,77,67,633	75,928	82,33,01,150
(b) Rice Bran	MT	1,49,315	137,50,32,281	1,38,846	114,14,16,490
(c) Cholan	MT	66,396	69,55,42,756	61,764	57,59,26,092
(d) Cotton Seed Cake	MT	22,241	26,21,74,873	9,897	12,50,18,037
(e) Milk	KL	5,332	9,05,19,432	5,197	7,97,14,175
(f) Others			40,37,19,437		27,28,05,788
<b>TOTAL</b>			<b>381,47,56,412</b>		<b>301,81,81,732</b>

### D. CONSUMPTION OF RAW MATERIALS AND STORES AND SPARES

	Year ended 31 <sup>st</sup> March 2011		Year ended 31 <sup>st</sup> March 2010	
	%	Value (₹)	%	Value (₹)
(a) Raw Materials				
Imported	4.87	18,58,85,095	8.41	25,39,06,628
Indigenous	95.13	362,88,71,317	91.59	276,42,75,104
Total	100.00	381,47,56,412	100.00	301,81,81,732
(b) Stores and Spares				
Imported	3.45	9,69,867	4.07	9,17,107
Indigenous	96.55	2,71,17,991	95.93	2,16,19,072
Total	100.00	2,80,87,858	100.00	2,25,36,179

	Year ended 31.03.2011 ₹	Year ended 31.03.2010 ₹
E. CIF value of imports - Raw materials	12,95,04,532	17,64,60,473
- Capital goods	14,34,422	19,60,660
- Stores and Spares	16,06,466	13,04,259
F. Expenditure in Foreign Currency	6,964	15,739
G. Earnings in Foreign Exchange	Nil	44,707
H. Remittance in foreign currencies on account of dividend (including remittance to NRE accounts)		
i) No. of Non-Resident shareholders	25	16
ii) No. of shares held by them	28,287	29,527
iii) Dividend remitted in Foreign Currency	Nil	Nil

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

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

**P.K. Varghese**

**A.P. George**

**K.P. John**

**P.D. Anto**

Executive Director

Director & Legal Advisor

Director

Director

As per our report of  
even date attached

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

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

May 30, 2011

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

1. Registration details		
Registration No.	:	02028 of 1963
State Code	:	09
Balance Sheet Date	:	31 <sup>st</sup> March 2011
2. Capital raised during the year		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
3. Position of Mobilisation and Deployment of Funds		(₹ in '000s)
Total Liabilities	:	606552
Total Assets	:	606552
<b>Sources of Funds</b>		
Paid up Capital	:	32000
Reserves & Surplus	:	301534
Secured Loans	:	136806
Unsecured Loans	:	115710
Deferred Tax Liability (net)	:	20502
<b>Application of Funds</b>		
Net Fixed Assets	:	381010
Investments	:	750
Net Current Assets	:	224792
Miscellaneous Expenditure	:	Nil
Accumulated Losses	:	Nil
4. Performance of the Company		
Turnover (including other income)	:	4543607
Total Expenditure (adjusting Stock Differential)	:	4476876
Profit / Loss before tax	:	66731
Profit / Loss after tax	:	44981
Earnings per share (₹)	:	14.06
Dividend rate	:	100 %
5. Generic Names of three principal products of the company		
Product Description		Item Code No.
a) Solvent Extracted Coconut Oil	:	151311.00
b) Solvent Extracted Coconut Cake	:	230650.20
c) Compounded Animal feed	:	230990.10

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

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

**P.K. Varghese**

**A.P. George**

**K.P. John**

**P.D. Anto**

Executive Director

Director & Legal Advisor

Director

Director

May 30, 2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2011

	Year ended 31.3.2011 ₹	Year ended 31.3.2010 ₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax and extra ordinary items	6,67,30,687	12,66,13,777
Adjustments for:		
Depreciation	4,55,84,554	3,84,31,332
Interest on fixed loans	1,81,40,233	1,36,69,306
Dividend received	(1,36,001)	(11,118)
Profit on sale of assets	(13,673)	(6,76,480)
Operating profit before working capital changes	<u>6,35,75,113</u>	<u>5,14,13,040</u>
Adjustments for		
Trade and other receivables	46,64,545	(66,12,739)
Inventories	(11,78,58,644)	3,87,24,020
Trade payables	<u>3,62,34,953</u>	<u>(71,93,661)</u>
Cash generated from operations	<u>5,33,46,654</u>	<u>20,29,44,437</u>
Income tax paid	<u>2,26,54,599</u>	<u>2,77,09,470</u>
Net cash from operating activities (a)	<u>3,06,92,055</u>	<u>17,52,34,967</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,73,26,798)	(5,48,55,943)
Sale of fixed assets	1,55,354	14,32,821
Purchase/redemption of investments	4,00,11,118	(4,00,11,118)
Dividend Received	1,36,001	11,118
Net cash used in investing activities (b)	<u>1,29,75,675</u>	<u>(9,34,23,122)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds/(Repayment) of bank borrowings	(7,29,07,817)	(3,07,22,793)
Acceptance/(Repayment) of fixed deposit	3,31,05,000	2,31,33,000
Interest on fixed loan	(1,81,40,233)	(1,36,69,306)
Dividend paid (including corporate dividend tax)	(3,69,49,438)	(1,84,25,577)
Net cash used in financing activities (c)	<u>(9,48,92,488)</u>	<u>(3,96,84,676)</u>
Net increase/(decrease) in cash and cash equivalents (a+b+c)	<u>(5,12,24,758)</u>	<u>4,21,27,169</u>
Cash and cash equivalents at the beginning of the year	<u>8,60,31,485</u>	<u>4,39,04,316</u>
Cash and cash equivalents at the close of the year	<u>3,48,06,727</u>	<u>8,60,31,485</u>
Net increase/(decrease) as disclosed above	<u>(5,12,24,758)</u>	<u>4,21,27,169</u>

**Note :** Cash and cash equivalents include ₹ 30,63,822 (Previous year ₹ 26,98,460) under unpaid dividend account with Banks and ₹ 12,81,430 (Previous year ₹ 8,72,985) as margin money deposits against bank guarantees which are not available for immediate use.

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

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

**P.K. Varghese**

**A.P. George**

**K.P. John**

**P.D. Anto**

Executive Director

Director & Legal Advisor

Director

Director

As per our report of  
even date attached

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

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

May 30, 2011

## SUMMARISED BALANCE SHEET FOR THE LAST FIVE YEARS

(₹ in lakhs)

	2010-11	2009-10	2008-09	2007-08	2006-07
<b>A. ASSETS</b>					
1. Net Fixed Assets:					
Gross Fixed Assets	7220.58	6956.64	6450.64	5386.50	5315.72
Less Depreciation	3410.48	2962.55	2613.23	2447.57	2237.94
	3810.10	3994.09	3837.41	2938.93	3077.78
2. Investments	7.50	407.61	7.50	2.50	2.50
3. Current Assets	3892.85	3277.43	3270.91	2870.68	3063.73
	7710.45	7679.13	7115.82	5812.11	6144.01
<b>B. LIABILITIES</b>					
1. Loans and Debts	2525.16	2923.18	2999.08	1980.12	2728.32
2. Other Liabilities	1849.95	1498.50	1313.41	1162.01	883.55
	4375.11	4421.68	4312.49	3142.13	3611.87
<b>C. NET WORTH (A-B)</b>	3335.34	3257.45	2803.33	2669.98	2532.14
<b>REPRESENTED BY</b>					
1. Share Capital	320.00	320.00	320.00	320.00	320.00
2. Reserves and Surplus	3015.34	2937.45	2483.33	2349.98	2212.14
	3335.34	3257.45	2803.33	2669.98	2532.14

## SUMMARISED PROFIT AND LOSS ACCOUNT FOR THE LAST FIVE YEARS

(₹ in lakhs)

	2010-11	2009-10	2008-09	2007-08	2006-07
<b>A. EARNED FROM</b>					
1. Sales	45368.03	37094.19	35007.87	28947.50	27503.59
2. Other income	68.04	133.69	95.52	96.87	48.32
	<b>45436.07</b>	<b>37227.88</b>	<b>35103.39</b>	<b>29044.37</b>	<b>27551.91</b>
<b>B. PAID AND PROVIDED FOR</b>					
1. Raw materials and finished goods	38060.08	30222.60	28884.30	23383.29	22112.23
2. Manufacturing, administrative, selling and other expenses	4161.06	3589.23	3806.95	3535.02	3998.14
3. Employees' remuneration and benefits	1855.14	1498.68	1376.19	1166.90	1117.62
4. Interest	236.64	266.92	276.17	251.18	217.79
5. Depreciation	455.84	384.31	259.03	286.66	281.25
	<b>44768.76</b>	<b>35961.74</b>	<b>34602.65</b>	<b>28623.05</b>	<b>27727.03</b>
<b>C. PROFIT / (LOSS) BEFORE TAX (A-B)</b>	<b>667.31</b>	<b>1266.14</b>	<b>500.74</b>	<b>421.32</b>	<b>(175.12)</b>
Less: Taxation	217.50	438.87	180.20	163.00	(74.02)
<b>NET PROFIT / (LOSS)</b>	<b>449.81</b>	<b>827.27</b>	<b>320.54</b>	<b>258.32</b>	<b>(101.10)</b>
<b>APPROPRIATED TO</b>					
1. Dividend	320.00	320.00	160.00	112.00	32.00
2. Corporate dividend tax	51.91	53.15	27.19	19.03	5.44
3. Retained in business	77.90	454.12	133.35	127.29	(138.54)
	<b>449.81</b>	<b>827.27</b>	<b>320.54</b>	<b>258.32</b>	<b>(101.10)</b>



## PRODUCTION UNITS

### KERALA

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

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

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

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

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

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

### TAMIL NADU

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

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

### PRODUCTION UNIT - OUT SOURCED

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

### BRANCH

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

