

# Annual Report

2005-06



**K. S. Oils Limited**

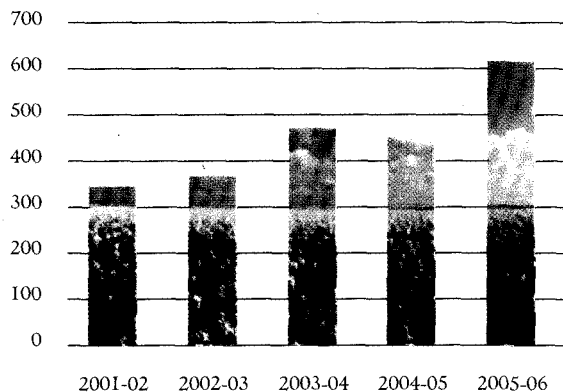
24k Purity in every drop

An ISO 9001:2000 Certified Company

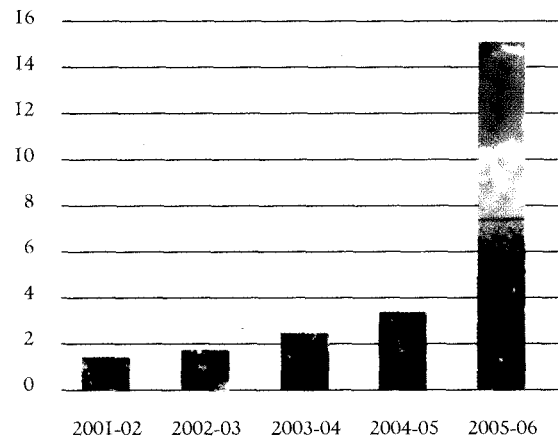
## FINANCIAL HIGHLIGHTS

		(Rs. in Lacs)				
Sr. No.	Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
<b>A Sales &amp; Earning</b>						
1	Sales	60,862	45,301	46,842	33,615	32,165
2	Profit before Tax	1,760	412	250	197	129
3	Profit after Tax	1,517	336	226	180	119
<b>B Assets &amp; Liabilities</b>						
4	Gross Block	5,973	4,474	4,062	3,679	3,478
5	Net Fixed Assets	4,383	3,160	2,999	2,763	2,750
6	Net Current Assets	9,029	6,878	6,344	5,699	5,504
7	Misc. Expenditure	-	-	-	-	7
8	Total Assets	13,412	10,038	9,343	8,462	8,261
<b>C Represented By</b>						
9	Share Capital	845	495	495	494	494
10	Warrant (Equity Share Entitlement)	-	219	-	-	-
11	Reserves	3,831	1,910	1,538	1,291	1,111
12	Loan Fund	8,736	7,414	7,310	6,657	6,656
13	Total Funds	13,412	10,038	9,343	8,442	8,264

Sales ( Rs. Crore )



Profit after Tax ( Rs. Crore )



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# chairman's message



Ramesh Chand Garg

Chairman

Report  junction.com

Dear Shareholders,

The year 2005-06 has been a landmark year in the history of the company and the performance of the company has touched new heights on two aspects – financial performance and business directions! We aim to become a leader in Indian market and a global company as to best practices, people care and responsible corporate citizenry.

## Financial performance

- In the year 2005-06, K S Oils attained a new growth phase with the company clocking a robust topline of Rs. 608 crores.
- PAT has gone up to Rs. 15.17 crores registering a 351% growth in the Bottom line in as compared to last year.
- Earnings have increased by 245% to Rs. 23.71 per Share.

Leaders don't force  
people to follow  
- they invite them  
on a journey.

Charles S. Lauer

# Directors Report

Dear Members,

Your Directors have pleasure in presenting the 21<sup>st</sup> Annual Report and the Audited Accounts for the year ended 31<sup>st</sup> March, 2006.

## Financial Results

The highlights of the financial results are as under:

(Rs. in Lacs)

Particulars	Year Ended on March 31 <sup>st</sup> , 2006	Year Ended on March 31 <sup>st</sup> , 2005
Sales	56,263	42,517
Export Sales	4,555	2,729
Total Sales	60,818	45,246
Profit before Interest, Depreciation and Tax (PBIDT)	2,760	1,436
Interest	715	771
Profit before Depreciation and Tax (PBDT)	2,045	665
Depreciation	285	253
<b>Profit before Tax (PBT)</b>	<b>1,760</b>	<b>412</b>
Provision for Taxation	243	76
<b>Profit after Tax (PAT)</b>	<b>1,517</b>	<b>336</b>
<b>Add:</b>		
Profit brought forward from previous year	845	615
Profits after tax available for Appropriation	2,362	951
<b>Appropriations</b>		
General Reserve	50	50
Proposed/ Interim Dividend on equity shares	101	49
Corporate Tax on Proposed/ Interim Dividend	14	7
<b>Total Appropriation</b>	<b>165</b>	<b>106</b>
<b>Surplus carried to Balance Sheet</b>	<b>2,197</b>	<b>845</b>





## Review of Operations

The business performance during the year has been commendable. The net profit of Rs. 15.17 Crores is the highest ever achieved by your Company. The Company's strong results are evident of Company's growth strategies. During the year under review, your company maintained performance that is superior to the industry peers in the edible oil segment.

Sales for the year have increased by 34 percent at Rs. 608 Crores as against Rs. 453 Crores during 2004-05. The profit after tax has registered an impressive growth of 351 percent at Rs. 15.17 Crores as against Rs. 3.36 Crores during 2004-05.

During the year, sales and profit growth was driven by launching our Company's products in the wide retail market. The company's strategy of developing high quality value added products at competitive price and launching them aggressively in retail market continues to strengthen Company's leadership position.

The major growth drivers for the improved performance are :

- Substantial increase in the shares of retail segment to the total turnover of the company.
- The Company has launched a campaign to promote Mustard Oil as a "Heart Friendly Cooking Medium."
- Retailing of products, Increased capacity utilization and removal of Excise duty on Refined Oil and Vegetable Ghee.
- Increased production of Refined oil.
- Adoption of strict Cost Control measures and better Working Capital management

## PERFORMANCE OF DIVISIONS

### Oil Division

During the year 82,874 M.T. of Mustard seeds were processed against 81,941 M.T. in the previous year, recording a marginal increase of 1.14 percent over the previous year. Your Company continued to be a major player in the mustard oil segment.

### Refinery Division

Production of Refined oils at 57,906 M.T. as against that of 14,342 M.T. in previous year accounted to a significant jump of 304 percent as compared to the previous year.

### Vanaspati Division

Production of Vanaspati at 10,047 M.T. as against that of 13,595 M.T. in the previous year thus, registering a fall of 26 percent as compared to the previous year.

### Solvent Division

During the year DOC (De-oiled Cake) produced at 1,10,697 M.T. as against that of 93,157 M.T. during the previous year, an increase of 18.83 percent over the previous year.

### Dividend

Your Directors declared an interim dividend of Rs. 1.20 (12 per cent) per equity share for the year 2005-06, at their meeting held on April 29th, 2006. The dividend entailing an outgo of Rs. 100.71 Lacs have been paid to those shareholders whose names appeared in the Register of members as on 8<sup>th</sup> May, 2006. In view of the above, your Directors shall not recommend any further dividend and propose to approve the Interim dividend as full and final dividend for the year 2005-06.

The total dividend outgo on account of dividend payment on equity shares for the financial year 2005-06, inclusive of tax on distributed profits, is Rs. 114.84 Lacs as against Rs. 55.79 Lacs paid for the previous year.

### Transfer to Reserve

Your Directors propose to transfer a sum of Rs. 50.00 Lacs to the general reserve.

### Bonus Issue of shares

Your directors have recommended an issuance of bonus shares in the ratio of 1:1, i.e. One additional equity share for every One existing equity share held by the members of the Company on the record date as may be fixed by the Board by capitalizing the securities / share premium account and general reserves.

## Changes in Capital Structure

During the year under review, the company has allotted 35,00,000 equity shares of Rs.10/- each on conversion of 35,00,000 warrants. Due to this subscribed and paid up equity share capital increased from 48,92,900 equity shares to 83,92,900 shares.

## Utilisation of proceeds received on the Preferential Issue of Convertible Warrants

During the year company converted 35,00,000 warrants into the same number of equity shares and total proceeds raised were Rs. 875.00 Lacs, for the purposes stated in the notice convening the extra ordinary general meeting on January 29<sup>th</sup>, 2005. Out of the total amount of warrants Rs. 656.25 Lacs were received during the year under review. The amount was utilized for discharging long term liabilities, additional working capital and capital expenditure, and total utilization was Rs. 883.00 Lacs against the aforesaid purposes, hence there is no unutilized money remaining at the end of the financial year.

## Management Discussion and Analysis

A separate section on Management Discussion and Analysis as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is given in the Annual Report.

## Awards and Recognition

Your company has been awarded the prestigious ISO 9001:2000 certification for Quality Management Systems for Manufacturing and Supply of Edible Oils. The recognition will go a long way to establish K. S. Oils a quality-oriented organization.

Your company will maintain its Customer centric approach with emphasis on continuous improvement in the quality and value of our products.

Your Company won the prestigious award "Highest Processor of Rapeseed Oilcake for the year 2004-05" from The Solvent Extractors' Association of India, a Premier Association of Vegetable Oil Industry & Trade. In line with previous year the same award is expected for the year 2005-06.

## Corporate Governance

The company confers significant consideration to good Corporate Governance as it contributes to enhanced Investors' confidence, improves Investors' protection and achieves highest level of transparency.

Pursuant to Clause 49 of the Listing Agreement a report on Corporate Governance together with the Auditor's Certificate on compliance with the conditions of Corporate Governance is provided elsewhere in this Annual Report.

## Voluntary Delisting of Equity Shares from the M. P. Stock Exchange, Indore.

Your company is listed with the Bombay Stock Exchange Limited (BSE), Mumbai and Madhya Pradesh Stock Exchange (MPSE), Indore. Whereas BSE, being the stock exchange having nation wide trading terminals provides easy liquidity to the investors, further there is no trading of company's shares on MPSE, in view of above your directors proposes for voluntary de-listing of its equity shares from MPSE. The proposed de-listing of the equity shares of the company will not adversely affect the Investors. The Company's equity share will continue to be listed at the BSE.

Your Directors are pleased to report that the company has also applied for additional listing of the equity shares of the company at the National Stock Exchange Ltd (NSE), Mumbai, having nation wide terminals in order to provide more liquidity to all the members and Investors of the company.

## Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

The particulars as prescribed under sub-section (1) (e) of the section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are given at Annexure 'A' to the Report.

## Employee Relations

None of the employees of your Company received a remuneration in excess of reportable amount as laid down under section 217(2A) of the Companies Act, 1956, read with the Companies (Employees particulars) Rules, 1975.

Relations between the employees and the management continued to be cordial during the year

### Fixed Deposits

The Company has not accepted any deposit from the public or its employees during the year under review and no amount of principal or interest was outstanding as of the balance sheet date.

### Directors

During the year under review, Mr. M. L. Garg resigned from the Board on 3<sup>rd</sup> September, 2005. The Board while accepting Mr. M. L. Garg's resignation; recorded, with deep appreciation the contributions made by him during his tenure on the Board. Mr. M. L. Garg, participated actively in the deliberations of the Board and company benefited immensely from his insights.

Mr. P. K. Mandloi, retires by rotation and is eligible for re-appointment.

Mr. Ramesh Chand Garg, non-executive Director and Chairman has been appointed as the Chairman and Whole-time Director for a period of five years with effect from 01<sup>st</sup> July, 2006 by the Board of directors at their meeting held on 30<sup>th</sup> June, 2006.

Your Directors have also revised the remuneration payable to Mr. Sourabh Garg, the Whole-time Director of the Company w.e.f. 1<sup>st</sup> July, 2006 for the remaining part of his tenure. Mr. Sourabh Garg, Whole-time Director has also been re-appointed by the Board at their meeting held on 30<sup>th</sup> June, 2006 for a further period of 5 years from 01<sup>st</sup> June, 2007 to 31<sup>st</sup> May, 2012.

The aforesaid appointments require the approval of the members at the ensuing annual general meeting. Your Directors propose to pass the necessary resolutions as set out in the notice of the Annual General Meeting.

### Directors Responsibility Statement

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- i) In the preparation of annual accounts for the financial year ended 31<sup>st</sup> March, 2006 the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) The Directors have selected such accounting policies and have applied them 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 as at 31<sup>st</sup> March, 2006 and of the Profit of the Company for the year ended on that date;

- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) The Directors have prepared the annual accounts for the financial year ended 31<sup>st</sup> March, 2006 on a going concern basis.

### Auditors and their Report

M/s Rath & Co., Chartered Accountants, Auditors of the Company will retire at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment. The Company has received a certificate from the Auditors to the effect that their re-appointment, if made, would be in accordance with section 224 (IB) of the Companies Act, 1956.

The members are requested to consider their re-appointment for the current financial year 2006-07 and authorise the Board of Directors to fix their remuneration.

The Auditors report is self explanatory and is not providing any qualification, which needs to be commented by the Board of directors of the Company.

### Acknowledgements

The Directors wish to place on record their appreciation for continued assistance and co-operation extended to the Company by its Customers, Investors, Bankers, Regulatory & Government Authorities, Service Providers and its own dedicated Employees. The Board of Directors express their gratitude for the Co-operation extended by the Consortium Bankers i.e. Central Bank of India and Andhra Bank.

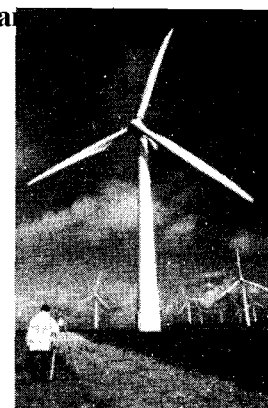
On behalf of the Board of Directors

Morena  
30th June, 2006

Ramesh Chand Garg  
Chairman



# Annexures to Directors Report



## Annexure (A) to Directors' Report

Information pursuant to section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### A. Conservation of Energy:

The company continues its attempts to improve Energy conservation and utilization.

#### a) Energy conservation measures undertaken:

- The Company has monitored its energy consumption regularly and has made several modifications in the plant resulting in reduced energy consumption.
- Installation of electric control panels.
- High voltage control stabiliser.
- The Company has put in efforts to improve overall energy efficiency by installing power efficient equipments.

#### b) Additional Investment and proposal if any, being implemented for reduction of consumption of energy:

The company has undertaken Wind farm project by installing 2 wind mills of 1.25 MW each for total 2.5 MW of energy generation at Nagda Hills, Dewas M.P. Both the Wind mills were fully commissioned in March 2006, at an investment of Rs.1,173 Lacs. The total guaranteed annual power generation from both the Wind mills is 54 lakh units p.a. and will be fed into the grid of the Madhya Pradesh State Electricity Board.

The power generated will be used for captive consumption at company's plant at Morena on a 2 percent wheeling charge. The derived benefit is in the form of credit of the no. of power units generated by the 2 wind mills to the Company's account. In addition to providing the company with power, this project provides an income tax shield to the company.

The captive power generated by wind farm project is estimated to lead to substantial savings on the power costs for the Company. The project being completely pollution free and environment friendly will also entitle us for carbon credits.

#### c) Impact of the measures taken as per (a) & (b) above for reduction of energy consumption and consequential impact on the cost of production of goods:

As a result of the above measures undertaken, the power consumption in plants has been reduced thus saving in energy costs during the period under consideration.

#### d) Total energy consumption and energy consumption per unit of production:

Given in Form - 'A' on the following page:

## FORM - 'A'

Form for Disclosure of Particulars with respect to Conservation of Energy:

## (A) POWER AND FUEL CONSUMPTION

PARTICULARS	Year Ended 31-03-2006	Year Ended 31-03-2005
<b>1. Electricity</b>		
(a) Purchased units	72,79,120	52,97,220
Total Amount (Rs.)	30,90,1105	2,51,64,838
Rate/Unit (Rs.)	4.25	4.75
(b) Own Generation		
(I) Through Diesel Generator		
Units	86,69,791	81,05,586
Unit per liter of Diesel Oil (Rs.)	4.01	4.20
Cost/ Unit (Rs.)	6.33	5.29
(II) Through Wind Turbine Generator (WTG's)		-
Units	138	-
Total Amount	580	-
Rate/ Units (Rs.)	4.20	-
<b>2. Coal:</b>		
Quantity (M.T.)	22,308	1,3087
Total Cost (Rs.)	6,71,58,917	3,44,88,792
Average Rate (Rs.)	3,010.53	2,635.35
<b>3. Furnace Oil</b>	-	-
<b>4. Others</b>	-	-

## (B) Consumption per Unit of Production:

PARTICULARS	Year Ended 31-03-2006 (PMT)	Year Ended 31-03-2005 (PMT)
<b>Production:</b>		
(with details) unit (2,19,458 M.T. of Oil, DOC, Vanaspati Ghee)		
Electricity	72.67	84.11
Furnace Oil	-	-
Coal	0.10	0.08
Others	-	-