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ANNUAL REPORT 2006 - 07



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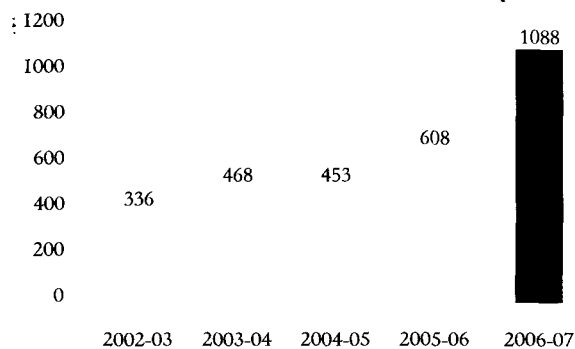
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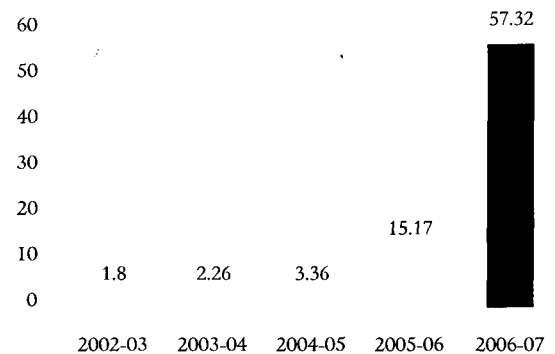
Financial

		(Rs. in lacs)				
Sr. No.	Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
A Sales & Earning						
1	Sales	108,854	60,862	45,301	46,842	33,615
2	Profit before Tax	7,388	1,760	412	250	197
3	Profit after Tax	5,732	1,517	336	226	180
B Assets & Liabilities						
4	Gross Block	15,131	5,973	4,474	4,062	3,679
5	Net Fixed Assets	13,102	4,383	3,160	2,999	2,763
6	Net Current Assets	17,265	9,029	6,878	6,344	5,699
7	Misc. Expenditure	237	-	-	-	-
8	Total Assets	30,604	13,412	10,038	9,343	8,462
C Represented By						
9	Share Capital	2,209	845	495	495	494
10	Warrant (Equity Share Entitlement)	2,378	-	219	-	-
11	Reserves	14,441	3,831	1,910	1,538	1,291
12	Loan Fund	10,019	8,736	7,414	7,310	6,677
13	Deferred Tax	1,557	-	-	-	-
14	Total Funds	30,604	13,412	10,038	9,343	8,462

Sales (Rs. Crore)



Profit after Tax (Rs. Crore)



Chairmans'



Ramesh Chand Garg
Chairman

Dear Partners in Progress,

I write to share with you our performance for the year 2006-2007 - K S Oils has seen a wonderful year and our recipe for the success has been meticulous planning and ensuring a judicious mix of all ingredients of our business plan - strategy, operations and execution.

It has been a watershed year where we have completely changed the way we do business, to me, at K S Oils, all of us are undergoing a major transformation. In the past one year we have worked towards a 'healthier menu' and consciously taken steps which will help us in providing a 'refreshed serving' to all our stakeholders - employees, customers, shareholders, investors and partners!

While the company's performance in the year has surpassed many milestones what stirs me is the challenge of the future. On a macro level, it gives me a great sense of pride to see India and Indians getting the rightful place under the sun - globally we are being recognized.

In the next part of my note, I walk you through certain key happenings which I feel are strategic for K S Oils successes and reaching higher peaks in the future.

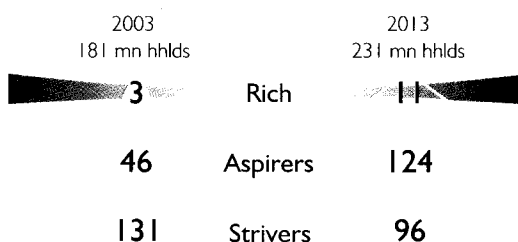
The Indian market place - from being just a Pyramid to a sparkling Diamond India today is one of the most attractive markets in the world maybe, even ahead of China. A study by NCAER shows a major

change in the consumer class; while in 2003, India had 181 million households of which only 3 million were in the Rich bracket and 46 million as Aspirers, by 2013 India will have 231 million households out of which 11 million would be Rich and 124 million Aspirers! Thus the shape of India is going to change in the next 5 years - from being just a pyramid to a sparkling Diamond.

We at K S Oils look at this new found consumer and its spending power with great interest - our research shows that as a consumer moves up the value chain, the household spending goes up in health products like higher consumption of good quality cooking oil. Our performance in the past year has been because of our continuous thrust on creating high end value added products which will appeal to the young and health conscious Indian spending class.

We at K S Oils are poised to be part of this new India and provide at all times the new found consumer, products and services of international standards so that every Indian household not only prepares the best tasty food but at the same time, the food is healthy and high on nutritional value.

India - 2013



The shape of India is going to change from pyramid to a diamond



Financial Performance

We had a landmark performance and the best ever in the past few years; we crossed the 1,000 crores sales figure this financial year and clocked a mammoth growth of 79% with net sales at Rs. 1,088 crores. The net profit stood at Rs. 57.32 crores, a growth of over 278% since the last year.

The performance at K S Oils is very significant not just from the numbers viewpoint; this type of financial performance was achieved by ensuring a two fold strategy, what I call 'margin improvement' and 'operational efficiency'.

Going ahead it is my personal belief that value creation will not be by just increasing top line but needs to be powered with a much improved bottom-line; a healthy bottom line helps the business propel growth by addressing two dynamics - plough back resources in the company to aggressively pursue growth in the following areas - R&D, product & people development, organic and inorganic growth. Secondly, create and deliver value year after year for the shareholders of the company.

The detailed financial numbers are shared in the later part of this report which will let you compare in details the improved performance of K S Oils.

Business Initiatives undertaken during the year

Brand Power & Rising up the value chain

Our improved profitability is a direct result of our strategic initiative in creating a company of Brands - we are moving away from a Manufacturing led company to creating a Brand factory where we will invest in strengthening our current & new brands, create high recall among consumers for our products to have a pull effect at every point of purchase and develop new lines of premium products which will complement the high end lifestyle of the Indian consumer.

In the current year, we have undergone a logo &

brand identity change and have created a new K S Oils which is more customer focused and outward looking. Our increased margins in retail led growth products and premium pricing for all our brands have helped us with better margins. It has also re-inforced our leadership position in the Mustard oil segment in particular and edible oil sector in general.

Aggressive geographic expansion - both market and production led

In this year we pursued a dual strategy - enter into newer markets while maintaining leadership in the North east and also create production capacity in other mustard seed producing belts. Today we have a distribution network in place in all of Northern and Eastern India - which is helping us create our north and eastern India market penetration strategy. Fifty crore Indians living in this mustard consuming belt will benefit us in the years to come as future consumers.

We also have looked at additional production capacities and have completed an acquisition at Jodhpur as well as leased capacity at Alwar thus creating an extra 700 mt/day of crushing capacity. It is located in the mustard growing regions of Alwar and Jodhpur apart from the existing plant at Morena. This North India belt focus will help us reach out products in geographies of North and East, thus being nearer to the production source and creating logistics efficiencies.

Organizational & Leadership Excellence

I personally believe that a great leadership team creates an agile, strong organization with depth, multi-faceted talent and professional management. It makes me immensely proud to share that in the past year, K S Oils have taken rapid and giant strides to create a professional management and a great leadership team. From being a family oriented business, today K S Oils is on its way to become one of the leading professional companies with best practices in talent attraction, retention and growth.

From employing external experts and consultants who are creating new benchmarks in people practices, K S Oils today can boast of few of the best industry professionals in its board which has resulted in a renewed energy and enthusiasm. This will leapfrog the company into a pan India leadership position in terms of market and mindshare.

We crossed the **1,000 crores sales** figure this financial year and clocked a mammoth growth of **79%** with net sales at Rs. **1,088 crores**

The Future is Unknown but Exciting & Challenging

While the journey has just begun, we have a long way to go to create a perfect offering for the Indian consumer; I share with you some of the interesting recipes that we are cooking for our future growth and will be implemented in the coming year.

A. Strategic New & Adjacent Business Initiatives

To ensure higher efficiency and reduced cost of production the company is venturing into eco friendly power generation; to save costs and create green energy K S Oils is investing in wind farms for power generation. This will not only reduce per unit cost of power consumption but will be a move towards creating an environmental friendly pollution free power usage as a raw material.

To ensure maximum efficiency and create value by backward integration, the company is venturing into bio-diesel production; it will be produced from the by-products of edible oil, other derivatives and origins of plant oils. The company plans to use this bio-diesel for running its own plants and sell the surplus if any as also provide consultancy to other relevant industries for setting up bio-diesel production.

B. Organic & Inorganic growth Opportunities

Without worrying on the financial numbers, all of us at K S Oils aim to reach the projected growth of a top line of Rs. 1,850 crores in the coming year; we have aggressive plans for this growth engine - organic & inorganic, domestic or global acquisitions!

We are ramping up our manufacturing facilities; we have already outlined green field projects which will increase our crushing capacity to 5,000 mt/ day by 2010 making us one of the largest players with a Pan India presence.

Strengthening Core Businesses We will continuously work towards creating a dominant market position for our core mustard oil business; from increasing operational efficiency, investing in R&D and technology to get the best minds to run the business, K S Oils is well poised to become the leading health brand company in the years to come.

I personally see a new professional management taking over day to day operations while the old hands and key investors participating in strategic growth plans of the company.

Creating & Enabling a People Ready Business

The last but not the least, I along with my senior management team in on a mission to create and Enable a People Ready Business at K S Oils. It is my dream to create an organization where employees are empowered and inspired to solve problems, collaborate with fellow employees, serve the customer and seize new opportunities!

Along with creating long term profits for our shareholders we as a company are responsible towards the society where we live; from ensuring the most transparent and fair business dealings & practices to environment friendly work and products, we are also creating few of the best minds for the country by running a primary and secondary school at Morena - the formative years which moulds a child to take giant steps in the future and conquer the world!

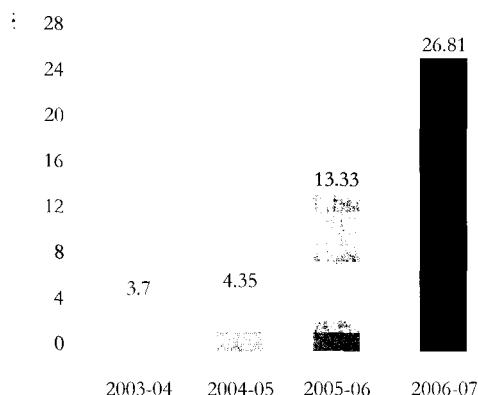
With all your support and good wishes, we at K S Oils are working tirelessly towards creating a great company consisting of the best people, who will make the best products and deliver it at the marketplace to create complete customer delight!

Sincerely,

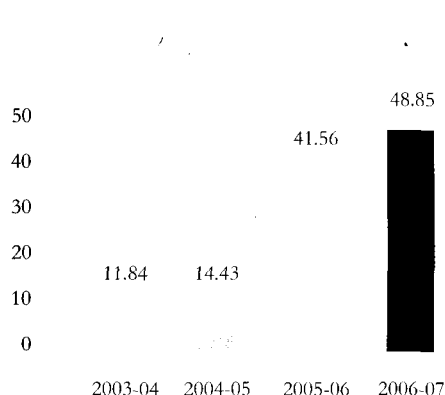
Ramesh Garg

Chairman

Return on average
Capital employed (%)



Return on average
Net worth (%)



Board of

Ramesh Chand Garg	Chairman
Sanjay Agarwal	Managing Director
Sourabh Garg	Executive Director
R Ganesh	Executive Director
B. N. Singh	Independent Director
P. K. Mandloi	Independent Director
Dr. R. S. Sisodia	Independent Director
P. R. Srinivasan	Director

Management Team

Himanshu G.	Head - Business Strategy
Y. Sarup	Chief Executive (Overseas)
V. K. Mathur	Vice - President (Production)
C. B. S. Rawat	Vice - President (Marketing)
C. K. Bhunyan	Vice - President (Marketing, North-East)
Praveen Khandelwal	Vice - President (Accounts)
Nalinesh Jha	Vice - President (Overseas)
Ramesh Chandra	Head - Production (Oil)
B. K. Barnal	Head - Production (Solvent)
Rajesh Srivastava	Head - Production (Vanaspati)
Virendra Singh	Head - Production (Refinery)
Saji Kumar	Head - Production (Packaging)
Ashok Kawde	Head - Purchase
Mahesh Agarwal	Head - Quality Control
Ramniwas Gupta	Head - Audit & Accounts
Manish Goyal	Head - Finance
P. V. Simon	Senior Manager (Purchase)
Ritesh Mundra	Senior Manager (Operations)
Saji Mon P. M.	Senior Manager (Systems)
Amit Agarwal	Senior Manager (Overseas)
Navin Sharma	Senior Manager (Accounts)
Prakash Agarwal	Senior Manager (Audit)
Anirudh Singh	Senior Manager (Legal)
Sanjay Gupta	Senior Manager (IT)
Vinay Agarwal	Senior Manager (Taxation)
Bhaskar	Senior Manager (Project)
Meenal Luther	Senior Manager (Brand)

Company Secretary
Vikas Tulsiani
Asst. Company Secretary
Santosh Kumar Soni

Bankers
Central Bank Of India
Andhra Bank

Auditors
Rathi & Co.
Chartered Accountants

Registered Office
Jiwaji Ganj, Morena 476 001, M. P.
www.ksoils.com

Works
Industrial Area, A.B. Road, Morena 476 001, M. P.

Registrar & Share Transfer Agent
Ankit Consultancy Pvt. Ltd.
2nd Floor, Alankar Point, 4 A Rajgarh Kothi,
Gita Bhawan Square, Indore - 452 001, M. P.

Directors' report



Dear Members,

The year 2006-07 has been a landmark journey for your Company. Several path-breaking initiatives were implemented with a view to re-affirming our market leadership and enhancing our geographic spread with a Pan India presence. With an enhanced market share, especially in the branded & retail segment and strengthened internal processes, your Company proved its commitment to quality with the ISO 9001:2000 Certification. Moreover during the year the company has gained the confidence of the investors' by way of infusion of foreign equity participation.

Financial Highlights

	(Rs. in lacs)	
	Year Ended 31 st March	
	2007	2006
Domestic Sales		
Less Excise Duty	1,02,214	56,263
Export Sales	6,533	4,555
Total Sales	1,08,747	60,818
Profit before Interest, Depreciation, Exceptional items and Taxes	9,375	2,760
Less : Interest	1,535	715
Profit before Depreciation, Exceptional items and Taxes	7,840	2,045
Less : Depreciation	452	285
Profit before Exceptional items and Taxes	7,388	1,760
Less : Exceptional items	-	-
Profit before Taxes	7,388	1,760
Less : Provision for Current Taxation	1,656	243
Profit after Taxes	5,732	1,517
Add : Balance brought forward from the previous year	2,198	845
Balance available for appropriation	7,930	2,362
Which the Directors have appropriated as under, to:		
(i) Dividend		
Interim	-	101
Final (Proposed)	331	-
(ii) Tax on Dividend	56	14
(iii) General Reserve	500	50
Total	887	165
Surplus carried forward to the Balance Sheet	7,043	2,197

Business Results

The business performance of the Company during the year was commendable. The company recorded a top line growth of 79% with the turnover at Rs. 1,087 Crores as against Rs. 608 Crores in the previous year. The profit after tax also recorded a near four fold jump with a 278% increase to Rs. 57.32 Crores as against Rs. 15.17 Crores in the previous year. EPS also recorded 233% growth and reached to Rs. 30 per share from Rs. 9 per shares in the previous year. Your management made all efforts to keep its promise of increasing revenues and market share. The year witnessed wonderful results and the coming years hold promises of your company becoming a leading player in Indian edible oil sector.

Division wise operational performance for the year ended 31st March, 2007 was as under

Oil Division

During the year Mustard seeds processed stood at 1,83,434 MT against that of 82,874 MT in previous year thus recording a significant jump of 121% as compared to previous year. Your company continued to be a major player in mustard oil segment.

Refinery Division

Production of Refined oil stood at 50,270 MT against that of 57,906 MT in previous year, recording a marginal decrease as compared to the previous year.

Vanaspati Division

Production of Vanaspati was at 9,292 MT against that of 10,046 MT in the previous year, recording a marginal decrease as compared to previous year.

Solvent Division

During the year DOC (De Oiled Cake) production was at 1,30,261 MT as against 1,10,697 MT during the previous year, thus recording an increase of 17.67 percent over the previous year.

Power Division

During the year power generated through wind mills was 46,32,383 units against 138 units in the last year. The marginal production in last year was due to the wind mills getting operational only on 31st March, 2006 and 2006-07 was full year for the wind mill operations.

Dividend

In view of the improved performance of the Company, your Directors are pleased to recommend a higher dividend of 15%, aggregating to Rs. 387.85 lacs (including tax on dividend of Rs. 56.32 lacs) as compared to 12% aggregating to Rs. 114.84 lacs in the previous year (which included tax on dividend of Rs. 14.13 lacs).

Transfer to Reserve

Your Company proposes to transfer 8.72% of the profit earned during the year i.e. Rs. 500 lacs to the general reserve. The Company proposes to retain an amount of Rs. 4,845 lacs out of current year's profit in the profit and loss account.

Achievements

During the year, 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 as 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

During the year 2006-07, the company has received two prestigious awards - **MCX Globoil Emerging Company of the year 2006** from Globoil India and **SEA AWARD 2005-06 for Highest processor of Rapeseed Oilcake** awarded by the Solvent Extractors Association of India, Mumbai.

New Projects/ Expansion/ Acquisition

During the year in terms of organic growth the capacity of Oil Mill was increased by 225 MT/day, Refinery by 150 MT/day. In terms of Inorganic growth the Company has acquired an edible oil plant at Jodhpur (Rajasthan) in February 07 and entered into a strategic tie-up with another edible oil plant in Alwar (Rajasthan) in April 07.

The plant at Jodhpur has crushing capacity of 225 MT/day and refining capacity of 100 MT/day. Alwar plant has crushing capacity of 250 MT/day, solvent extraction plant of 300 MT/day and refinery of 100 MT/day.

After the successful operation of 2.50 MW wind mills at Dewas (M.P.) the company has further erected and commissioned three Suzlon make wind mills in the state of Gujarat having a total production capacity of 4.5 MW.

Listing of the Company's scrip at NSE

The Equity Shares of the Company are also admitted for dealings on the National Stock Exchange (Capital Market segment) with effect from 2nd April, 2007.

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.

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

As required under Section 217(1) (e) of the Companies Act, 1956, read with the Companies

(Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo are set out in **Annexure 'A'** to the Directors' Report.

Directors' Responsibility Statement

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

1. In the preparation of annual accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. The Directors have selected such accounting policies and have applied them consistently and made judgements 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 31st March, 2007 and of the Profit of the Company for the year ended on that date;
3. 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
4. The Directors have prepared the annual accounts for the financial year ended 31st March, 2007 on a going concern basis.

Directors

Mr. Sanjay Agarwal, CEO of the Company was appointed as an Additional Director and Managing Director of the Company w.e.f. 25th November, 2006; further his appointment as Managing Director was approved by Members at Extra Ordinary General Meeting held on 6th March, 2007. A new enthusiasm has been infused in our organization with the appointment of Mr. Sanjay Agarwal as the Managing Director of the Company.

Mr. Govind Prasad Garg resigned from the office of Managing Director of the Company w.e.f. 25th November, 2006. The Board of Directors placed on record their sincere appreciation for the valuable advice and guidance extended by him during his tenure with the Company.

Mr. R. Ganesh was appointed as an Additional Director and Whole-time Director of the Company w.e.f. 16th January, 2007; further his appointment as Whole-time Director was approved by Members at Extra Ordinary General Meeting held on 6th March, 2007.