

Annual Report 2007 - 08

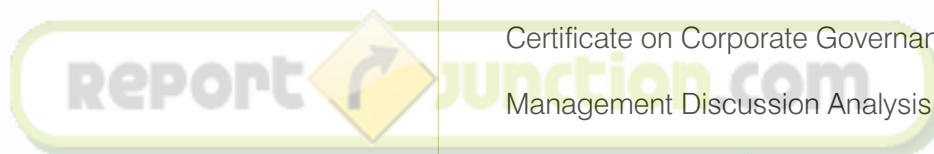
Report  junction.com



# Contents

---



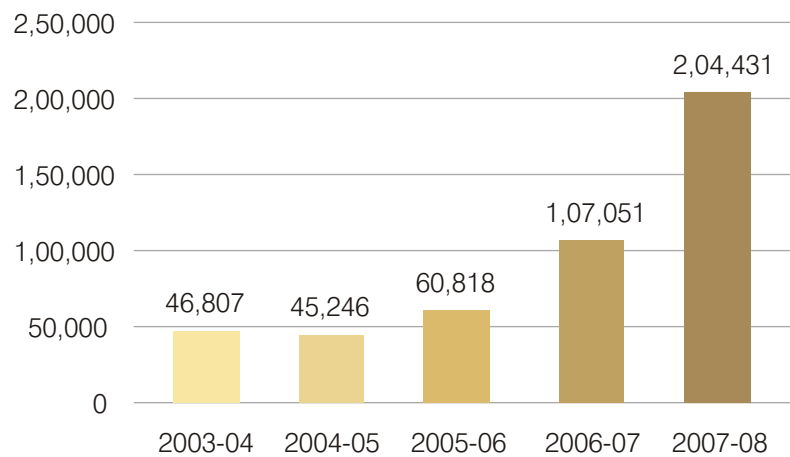


Financial Highlights	02
Chairman's Message	04
Board of Directors	08
Directors' Report	09
Annexure to Directors' Report	16
Corporate Governance Report	19
Certificate on Corporate Governance	35
Management Discussion Analysis	36
Auditors' Report	40
Balance Sheet	44
Profit & Loss Account	45
Cash Flow Statement	46
Schedules	47
Notes to Accounts	54
Consolidated Auditors' Report	66
Consolidated Balance Sheet	68
Consolidated Profit & Loss Account	69
Consolidated Cash Flow Statement	70
Consolidated Schedules	71
Consolidated Notes to Accounts	79
Section 212 Statement	88

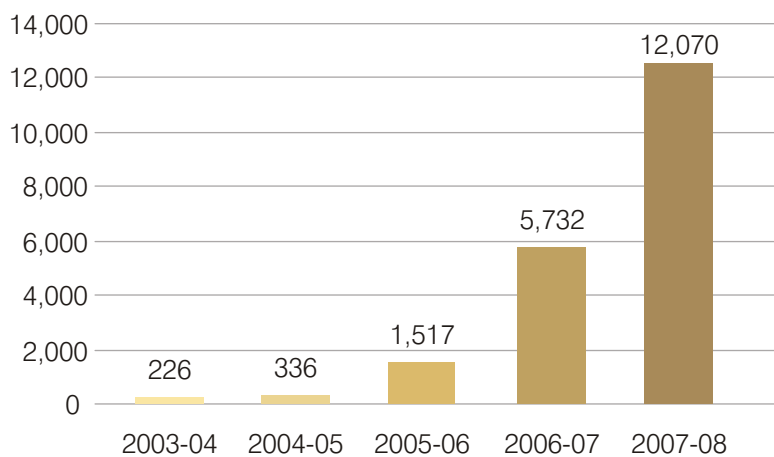
# Financial Highlights

Sr. No.	Particulars	(Rs. in lacs)				
		2007-08	2006-07	2005-06	2004-05	2003-04
<b>A</b>	<b>Sales &amp; Earning</b>					
1	Sales	2,04,431	1,07,051	60,818	45,246	46,807
2	Profit before Tax	18,223	7,388	1,760	412	250
3	Profit after Tax	12,070	5,732	1,517	336	226
<b>B</b>	<b>Assets &amp; Liabilities</b>					
4	Gross Block	47,416	15,468	5,973	4,474	4,062
5	Net Fixed Assets	44,172	13,439	4,383	3,160	3,000
6	Investments	1,847	-	-	-	-
7	Net Current Assets	56,024	16,927	9,029	6,878	6,343
8	Miscellaneous Expenditure	-	237	-	-	-
9	Total Assets	1,02,043	30,603	13,412	10,038	9,343
<b>C</b>	<b>Represented By</b>					
10	Share Capital	3,324	2,209	845	495	495
11	Warrant (Equity Share Entitlement)	5,000	2,378	-	219	-
12	Reserves	61,005	14,341	3,726	1,799	1,519
13	Loan Fund	28,469	10,019	8,736	7,414	7,310
14	Deferred Tax	4,152	1,557	-	-	-
15	Deferred Government Grant	93	99	105	111	19
16	Total Funds	1,02,043	30,603	13,412	10,038	9,343

### Sales (Rs. in lacs)



### Profit after Tax (Rs. in lacs)



# Chairman's Message



Ramesh Chand Garg  
Chairman

We at **K S Oils** are in the midst of a **unique integration** process

## Dear Stakeholders,

It is that time of the year when we take stock of our present, analyze our past and plan for our future. Between the past, present and future runs a thin but steady line of integration - what we are today is because our past and our present determines our future.

We at K S Oils are in the midst of a unique integration process - creating an integrated edible oil business by putting in place a global supply chain, building manufacturing facilities across mustard growing states in India and reaching out to the billion Indian consumers. We are integrating the farmer with the end consumer, the Indian housewife. A focused 'farm to palette' strategy is helping in integrating urban with rural India. We are proud to be part of this movement and in the process, generating trust, faith and respectability of not only the consumers but also the Indian farm community.

K S today stands at the threshold of integration be it of culture, countries and consumers! Our ability to seamlessly build bridges with different cultures and people is the key to our dream of becoming an integrated edible oil Company, an Indian MNC with international recognition and pride. I share with you certain key events which will give all of you an immense sense of pride and accomplishment.

## The World Scenario

The key market events of 2007 reinforced how inter twined and integrated global markets are today - crude oil price rise in Gulf affected commodity prices in U.S. and created a food scarcity scare in developing countries in Asia. Past twelve months were action packed for agri-businesses in general and for edible oil players like us in particular. Rising oil prices led to international focus on alternate energy options like bio-fuels and wind power; it also gave rise to the debate of

food crop scarcity with rapeseed, palm and soya oils being diverted to non-food use, thus making them 'hot' commodity. A global meltdown in currency and stock markets saw a renewed interest in commodity trading and future markets, further adding to price volatility.

Though food prices shooting up by 200% in the last decade has triggered a global alarm, it has also become a strong incentive to farmers to increase per hectare yields through agricultural best practices. With edible oil supplies remaining tight in the near future and price volatility becoming a norm, securing raw material supply by acquiring farmlands and collaborating with farmers at ground level for direct procurement of the produce has become a must.

In India, the government's measure in curbing inflation

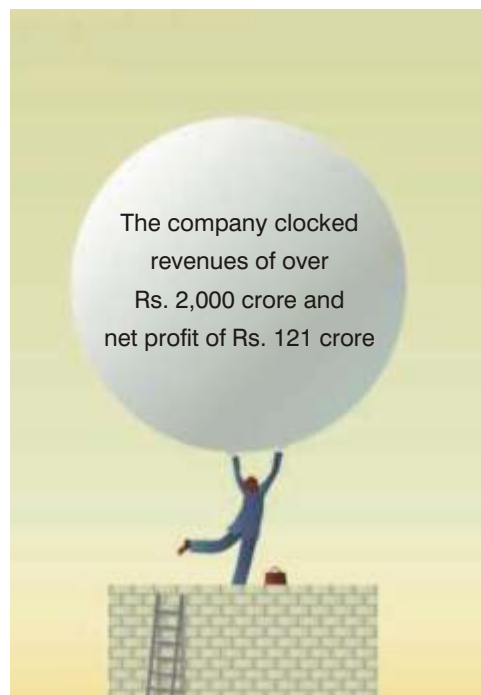
By acquiring **palm** plantations in **Indonesia** and **Malaysia**, K S has taken its first **big step** towards becoming a serious **integrated** edible **oil** player from India.

was well received; almost zero import duty has led to stabilization of prices and revival of consumer demand for edible oil.

### K S Oils Performance in 2007-08

#### Steady Growth

K S had a brilliant 2007-08 and kept up with the pace it had set for itself three years back. We doubled revenues, increased profits and improved margins through a shift to branded products. The year also marked K S foray into international markets for securing raw materials supply. By building palm plantations in Indonesia and Malaysia, K S has taken its first big step towards becoming a serious integrated edible oil player



from India. The company clocked revenues of over Rs. 2,000 crore and registered a significantly higher PAT of Rs. 120.70 crore. With a focused FMCG mindset, the company has launched its products in new markets and invested significantly in marketing and brand building initiatives.


#### Indian Market

To tap the 1 billion Indian consumer opportunity in the mustard and edible oil segment, K S has successfully rolled out an aggressive marketing initiative across India. We are converting consumers from non-branded to branded and launching our products in new markets like Central and North India. We are positioning our strong value proposition to the Indian consumers through advertising and consumer awareness drives for Kalash and Double Sher, our key brands in the mustard oil segment.

#### Securing the Supply Chain

To ensure steady supply of raw material and to combat price volatility, we have implemented a robust back end supply chain strategy. For mustard oil, we will procure seeds directly from Indian farmers and work closely with them to ensure a fair and profitable mutual relationship. For palm, we are building our own plantations in





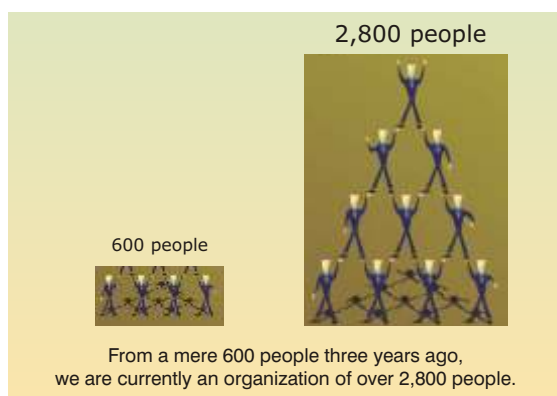
Malaysia and Indonesia, which means we will now grow our own raw material. A steady and assured supply chain will help us in overcoming any price volatility and supply shortage in the future.

### Capacity Expansion

We are commissioning three new manufacturing plants in the rich mustard growing belts of Rajasthan and Madhya Pradesh in Central India. With these additional plants and our main plant at Morena, we are trebling our production capacity. In India, by integrating our manufacturing facilities with the seed growing areas, we are reducing logistics costs and building long-term farmer relationships. All the new plants are state-of-the-art manufacturing facilities conceptualized on the lines of edible oil plants in South American countries like Brazil and Argentina.

### Action and Execution

One of our key strengths has been action and execution. We have been able to execute our strategies and plans to perfection. From a mere 600 people three years ago,



we are currently an organization of over 2,800 people. Be it projects, people or market strategies, we believe in doing. All our greenfield projects are on schedule and our acquisitions in Indonesia and Malaysia were completed in one of the fastest timelines by any Indian company.

One of the **key initiatives** that we have undertaken in the **current** year is to **grow responsibly** and **mitigate all business risk**.

### Responsible Growth

One of the key initiatives that we have undertaken in the current year is to grow responsibly and mitigate business risk. We have inducted three independent directors who have vast experience in the commodity/edible oil sector - all business decisions are run past them for counsel and fine tuning. We have brought on board leading industry professionals who advise us and have recruited a team of accomplished professional managers.

While embracing growth we are making sure it is green. Diversifying into alternate energy, we have set up wind mills, which is not only reducing our energy costs but also helping to conserve the environment.

### Our Future Strategy

In the next 2-3 years, we intend to become a leading integrated edible oil player from India with global scale and ambitions. Along with delivering continuous value to shareholders, employees and public in general, we have charted out a clear growth strategy which is about inclusive growth, de-risking the business and creating an eco-system of strong partnerships be it with customers, farmers, vendors and other stakeholders.

### Global Foray

Our strategy to secure raw material supply will be our driver for acquisitions of plantations; with our success in Indonesia and Malaysia, we look forward to acquiring more palm plantations assets in South-East Asia. An



assured raw material supply will help in much reduced input costs and avoid the volatilities of price fluctuation. Along with building palm plantations, we will build complimentary oilseed processing and storage facilities in and around our plantation facilities.

#### Integration of Risk Management

Due to global uncertainties, we are looking at bringing about a greater integration of our energy, financial activities and logistics strategy with our operations. With ever increasing market inter-relations, a robust risk management presence in these value chains is necessary to ensure maximum performance in our core businesses. We believe that tying up all the above with our core business will help us increase economic and output efficiency at various stages. An integrated risk management system will also act as a safeguard incase of extreme commodity trading cycles and acute shortage of raw material in the future.

#### The Business of Brands

We are in the business of not only creating and selling products but also in the business of creating brands. Our value proposition therefore is not just about quality and price but also about trust, transparency and values. While our products are growing in the markets based on quality and price, I along with my colleagues are working towards building a corporate brand that is based on the highest of business principles. K S as a brand will become a symbol of excellence, innovation and integrity.

As I end my note, I wish to state that our current accomplishments have been possible because of the efforts and support of all our stakeholders, especially the team at K S. I thank all of you for being part of this journey and look forward to travel together to a better and brighter future.

At K S, the journey has just begun!

Regards

**Ramesh Chand Garg**

Chairman

**In the next 2-3 years we intend to become a leading, integrated edible oil player from India with global scale and ambitions**

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

## Management Team

Himanshu Gandhi	Head - Global Strategy
Davesh Agarwal	Vice President - Administration
Ashwani Garg	Vice President - Commercial
Sandeep Taori	Vice President - Taxation
Praveen Khandelwal	Assistant Vice President - Finance
V. K. Mathur	General Manager - R&D
Ashok Mittal	General Manager - Projects
Deenanath Bagpatia	General Manager - Commercial
C. K. Bhunyan	General Manager - Commercial

Company Secretary  
Naveen Jain

Bankers  
State Bank of India  
Axis Bank  
HSBC Bank  
Andhra Bank

Auditors  
Haribhakti & Co.  
Chartered Accountants  
42, Free Press House, 215, Nariman Point,  
Mumbai-400 021.

Registered Office  
Jiwaji Ganj, Morena- 476 001,  
Madhya Pradesh, India.  
[www.ksoils.com](http://www.ksoils.com)

Registrar & Share Transfer Agent  
[Ankit Consultancy Pvt. Ltd.](http://Ankit Consultancy Pvt. Ltd.)  
2<sup>nd</sup> Floor, Alankar Point,  
4 A, Rajgarh Kothi, Gita Bhawan Square,  
Indore-452 001, Madhya Pradesh, India.