



K S OILS LTD.

ANNUAL REPORT
2010 - 2011

Company Information

Board of Directors

Mr. Ramesh Chand Garg
Chairman & Managing Director

Mr. Sourabh Garg
Non Executive Director

Mr. Pramod Kumar Mandloi
Independent and Non-Executive Director

Dr. R. S. Sisodia
Independent and Non-Executive Director

Mr. Brij Mahendra Nandan Singh
Independent and Non-Executive Director

Mr. Umesh Jain
Nominee Director (IDBI Bank)

Mr. Arvind Pandalai
Independent and Non Executive Director

Mr. Davesb Agarwal
Non-Executive Director

Company Secretary

Ritesh Jain

Chief Financial Officer

Brijesh Bagpatia

Bankers

State Bank of India

Axis Bank

Andhra Bank

IDBI Bank

ICICI Bank

PNB Bank

Auditors

M/s Haribhakti & Co.

Chartered Accountants

Registered Office

Jiwaji Ganj, Morena – 476001,
Madhya Pradesh, India

Registrar and Share Transfer Agent

Ankit Consultancy Pvt. Ltd.

60, Electronic Complex,
Pardeshipura, Indore - 452010

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Directors' Report

Dear Members,

The Directors have pleasure in presenting the Twenty Sixth Annual Report of the Company along with the Audited statement of Accounts for the period ended June 30, 2011. The Report also includes the Management Discussion and Analysis Report in accordance with the Guidelines on Corporate Governance. The Financial Results of the Company of the year ended June 30, 2011 are summarized below:

Rs. In Lacs

Financial Highlights	2010-11 (15 Months)	2009-10 (12 Months)
Domestic Sales	514252	346370
Export Sales	9698	14920
Sales against 'H' Form	36876	41670
Less Excise Duty	284	260
Total Sales	560542	402700
Profit before Finance cost, Depreciation, Exceptional items and Taxes	4793	47602
Less: Finance Cost (Interest)	31175	15636
Profit/(Loss) before Depreciation, Exceptional items and Taxes	(26382)	31966
Less: Depreciation	8007	5292
Profit before Exceptional items and Taxes	(34389)	26674
Less: Exceptional items	0	0
Profit/(Loss) before Taxes	(34389)	26674
Less: Provision for Tax:		
(a) Income Tax	0	4763
(b) Tax for earlier year's	68	0
(c) Deferred Tax adjustment	633	(530)
(d) MAT Credit Reversal	406	0
Profit after Taxes	(35496)	22441
Add: Balance brought forward from the previous year	49144	29561
Balance available for appropriation	13648	52002
Which the Directors have appropriated as under, to:		
(i) Proposed Dividend	0	736
(ii) Tax on Dividend	0	122
(IV) Provision for interest on dividend	18	0
(IV) Provision for interest on dividend distribution Tax	11	0
(V) General Reserve	0	2000
Total	29	2858
Surplus carried forward to the Balance Sheet	13619	49144

Change in Financial Year

The financial year 2010-11 of the Company was extended upto June 30, 2011. Hence, the financial results of the Company for the year under review cover a period of 15 months and are not comparable with the results of the previous financial year 2009-10 which was of 12 months period.

Business Results

During the year under review your Company's total sales was Rs. 560542 lacs as against Rs. 402700 lacs for the previous year. The profit before Finance cost, Depreciation, Exceptional items and Taxes was Rs. 4793 lacs as against Rs. 47602 lacs for the previous year. The loss after tax and other expenses was Rs. 35496 lacs as against to the profit of Rs. 22441 lacs for the previous year. The Finance cost was Rs. 31175 lacs as against to Rs. 15636 lacs for the previous year. The Company recorded of Earning per share (EPS) of Rs. (8.54) for the year ended June 30, 2011.

Division wise operational performance for the year ended June 30, 2011 was as under:

A. Oil Division

- 1. Mustard Oil:** During the year under review the Company's mustard oil plant was utilized up to 43% of its installed/available capacity; it processed 706417 MT of mustard seeds. Mustard Oil production stood at 237345 MT against that of 148730 MT in the previous year, recording a significant jump of 60% as compared to previous year. Company continued to be a leader in the mustard oil segment.
- 2. Refined Oils:** The Company's refined oil plants utilized 44 % of their available capacity and processed 266864 MT of crude oil. Refined oil production stood at 239670 MT against that of 254841 MT in the previous year, decrease of 6% as compare to previous year.
- 3. De Oiled Cake (DOC):** Solvent extraction plant utilized 35 % of its available capacity during the year under review and processed 493721 MT of oil cake/seeds. During the year, DOC production was at 438960 MT as against 435207 MT during the previous year, an increase of 1% over the previous year.

B. Vanaspati Division

Production of Vanaspati was at 11152 MT against that of 18249 MT in the previous year, decrease 39% as compared to the previous year.

C. Power Division

During the year power generated through wind mills was 158928285 units as against 136179042 units in the last year, thus recording an increase of 17% over the previous year. Out of these units, the Company has

utilized 23378783 units for in-house consumption and sold 157995594 units and generated Rs. 5468 lacs as additional revenue.

Dividend

In view of the losses incurred, the Board of Directors is unable to recommend any dividend for the financial year ended on June 30, 2011.

Consolidated Accounts

As per the Listing Agreement with the Stock Exchanges, Consolidated Financial Statements have been annexed with the Financial Results of the Company.

Subsidiary Company

The Statement required under Section 212 of the Companies Act, 1956 in respect of the Subsidiary Company is also appended to the Annual Report.

However, the consolidated financial statement are annexed with the financial results of the company.

Achievements

The Executive board of United Nation Framework Convention on Climate Change (UNFCCC) registered company's three wind power based CDM projects of 8 MW & 7.5 MW in Rajasthan, 12 MW in Tamilnadu. This shows company's continuous sustainable development in the field of Green Energy.

Renewable Energy Initiatives:

All the 92 WTG's of 78 MW in Madhya Pradesh, Rajasthan , Gujrat & Tamilnadu are running successfully & generating revenue for the company through the sale of power to SEB's. In addition to this revenue company has registered three new CDM projects with UNFCCC. 8 MW Rajasthan CDM project will generate approximately 12,800 CER's per annum upto 10 years crediting period & is renewable for two more crediting periods of 7 years each. 7.5 MW Rajasthan & 12 MW Tamilnadu CDM Projects will generate approximately 13,300 & 26,000 CER's respectively per annum upto 10 years crediting period. The CDM projects developed by the company at Tamil Nadu, Rajasthan & Madhya Pradesh are at different stages of validation process of CDM cycle.

Capital Raising/ Preferential Allotment of Securities and utilization of proceeds received from preferential allotment:

Preferential Issues of Equity Shares to Promoters

In order to meet the fund requirement of the Company for its (i) Expansion of refinery in India along with other allied expenditure (ii) Investment in its overseas subsidiaries for development of Greenfield palm plantations and acquisition of mature palm plantations and/or CPO mills, all in Indonesia.

The Company has allotted 1,64,61,337 Equity Shares to the promoters upon conversion of promoters warrant , issued upon receipt of balance amount from the Promoters i.e., Rs. 4274 Lacs.

Utilization of proceeds received on preferential issue of securities:

The company has raised Rs 4274 Lacs up to June 30, 2011 from allotment of shares on preferential basis. The entire proceeds received towards the warrants have been utilized for the purpose of expansion of refinery in India along with other allied expenditure and for investment in its subsidiaries, except Rs.5065 Lacs (Previous year : Rs.7537.17 lacs), which were lying as Fixed Deposit with banks at the year end.

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 the annual accounts, the applicable accounting standards have been followed and that there are no material departures.
2. They have, in the selection of the Accounting Policies, consulted the Statutory Auditors 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 at the end of the financial year and of the profit of the Company for that period;

3. They have taken proper and sufficient care to the best of their knowledge and ability 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;
4. They have prepared the annual accounts on a going concern basis.

Directors

Dr. Arvind Pandalai was appointed as Additional Director by the Board of Directors of the Company at the Board Meeting held on February 11, 2011 to fulfill parity of the Independent Directors as required under Clause 49 of the Listing agreement and also to infuse industry experts in the Board.

Mr. Davesb Agarwal was appointed as Additional Director by the Board of Directors of the Company at the Board Meeting held on November 29, 2011. He was appointed as a Non executive Director and also to infuse industry experts in the Board.

As per the provision of Section 260 of the Companies Act, 1956, aforesaid Additional Directors hold office only up to the date of the forthcoming AGM of the Company. The Company has received notices under Section 257 of the Companies Act, 1956 in respect of the above persons, proposing their appointment as Directors of the Company, therefore their appointment are sought u/s 257 of the Companies Act, 1956.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. P.K. Mandloi & Mr. B.N. Singh retire by rotation and being eligible, offer themselves for re-appointment.

In accordance with the provisions of Companies Act, 1956 and the Company's Articles of Association, Mr. Ramesh Chand Garg, subject to the confirmation of the shareholders, being eligible for reappointment as whole time director, for a period of 3 years w. e. f. June 25, 2011 & appointment as a Chairman & Managing director for a period of 3 years w. e. f. September 26, 2011 to September 25, 2014 on the remuneration of Rs 48 lakhs per annum as approved by the remuneration committee."

Fixed Deposits

Your Company has not accepted any deposits and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

Employees' Particulars

The Company did not have any employee of the category mentioned in Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Manpower Development Process

The Company's HR Division has finalized an Organization Structure that supports the vision and strategy of the Company. The organization structure is divided into five bands: Strategic, Operational, Manager, Executive and Support, which have been further divided into 14 levels. All K S employees are assigned a level under a particular band depending upon their role, impact and criticality of job and the contribution to the Company's strategy.

Auditors

M/s Haribhakti & Co., Chartered Accountants, auditor of the Company, shall retire at the end of ensuing AGM and being eligible offer themselves for re-appointment.

The observations made in auditor's report, read together with relevant notes thereon are self-explanatory and hence, do not call for any comments under 217 of the Companies Act, 1956.

Report on Corporate Governance

A detailed report on Corporate Governance has been provided elsewhere in the Annual Report.

Employee Stock Option Scheme

Members' approval was obtained at the Extra Ordinary General Meeting held on October 20, 2007 for Employees Stock Option Scheme (herein after referred as ESOPs).

ESOPs was approved and implemented by the Company and Options were granted to employees in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred as to "the SEBI Guidelines"). The Compensation Committee, Constituted in accordance with the SEBI Guidelines, to administer and monitors the Scheme.

The applicable disclosures as stipulated under the SEBI Guidelines as at June 30, 2011 are given below:

1. Options Granted:	Nil
2. Pricing Formula:	The exercise price of option shall be of market value of the share on date of grant as under SEBI guidelines
3. Exercise Price:	N.A.
4. Options vested:	None
5. Options exercised:	None
6. Total number of shares arising as a result of exercise of option:	None
7. Options lapsed/Cancelled:	3007500
8. Variation in terms of options:	None
9. Money realized by exercise of options:	None
10. Employee-wise details of options granted during the year to:	
i. Senior managerial personnel:	
Mr. Sanjay Agarwal	2900000
Mr. R. Ganesh	1000000
ii. Employees who received the options amounting to 5% or more of options granted during the year:	None
iii. Employees who received the options during the year equal to or exceeding 1% of the issued capital of the Company at the time of grant:	None
11. Diluted earning per share (EPS) before exceptional items pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'	(8.54)
12. In the present case as the employee compensation cost has been calculated using the Fair value of the Stock Options and the Intrinsic Value has not been considered. As the exercise would be made at the market price prevailing as on date of grant plus applicable taxes as may be levied on the Company, the issuance of equity shares pursuant to exercise of option will not affect Profit and Loss account of the Company.	

Details of Weighted Average exercise price of options granted and fair value prices of options and the fair value has been calculated using **Black Scholes Option Pricing** model given in Notes to Accounts.