



K S OILS LIMITED
ANNUAL REPORT 2011-12

Company Information

Board of Directors

Mr. Ramesh Chand Garg
Chairman & Managing Director

Mr. Davesb Agarwal
Executive Director & Chief Financial Officer

Mr. Sourabh Garg
Non-Executive Director

Mr. Pramod Kumar Mandloi
Independent Director

Mr. Arvind Pandalai
Independent Director

Mr. Brij Mahendra Nandan Singh
Independent Director

Dr. R. S. Sisodia
Independent Director

Mr. Boda Venkat Ram
Independent Director

Mr. B. S. Bhasin
Nominee Director (S.B.I)

Mr. M. B. Kaul
Nominee Director (I.D.B.I)

Company Secretary
Sandeep Kumar

Bankers

State Bank of India
Axis Bank
Andra Bank
IDBI Bank
ICICI Bank
PNB Bank
Central Bank of India

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 Seventh Annual Report of the Company along with the Audited statement of Accounts for the period ended December 31, 2012. The Report also includes the Management Discussion and Analysis Report in accordance with the provisions of the Clause 49 of the Listing Agreement. The Financial Results of the Company for the period ended December 31, 2012 are summarized below:

(Rs. In Lacs)

Financial Highlights	2011-12 (18 Months)	2010-11 (15 Months)
Revenue from operations	346,589	562,835
Less: Excise Duty	236	284
Net revenue from operations	346,353	562,551
Profit/loss before Finance cost, Depreciation, Exceptional items and Taxes	(53,258)	7515
Less: Finance Cost (Interest)	44,154	33,964
Profit/loss before Depreciation, Exceptional items and Taxes	(97,412)	(26,450)
Less: Depreciation	9,549	8,007
Profit/loss before Exceptional items and Taxes	(106,961)	(34,457)
Less: Exceptional items	29,269	-
Profit/loss before Taxes	(136,230)	(34,457)
Less: Provision for Tax:		
(a) Income Tax	-	-
(b) Tax for earlier year's	184	-
(c) Deferred Tax adjustment	788	633
(d) MAT Credit Reversal	-	406
Profit/loss after Taxes	(137,203)	(35,495)
Add: Balance brought forward from the previous year	13,619	49,143
Balance available for appropriation	(117,006)	13,649
Which the Directors have appropriated as under, to:		
(i) Proposed Dividend	-	-
(ii) Tax on Dividend	-	-
(iii) Provision for interest on dividend	40	18
(iv) Provision for interest on dividend distribution Tax	22	11
(v) General Reserve	-	-
Total	62	29
Surplus carried forward to the Balance Sheet	(117,068)	13,619

Change in Financial Year

The Financial year of the Company was extended by 6 months i.e., from July 01, 2012 to December 31, 2012 with the approval of the Registrar of Companies. Hence the financial year of the Company under review cover a period of 18 months and are not comparable with the results of the previous financial year 2010-11 which was for 15 months.

During the financial period, paucity of adequate working capital has affected the operations, resulting in partial running or closure of plants for a limited period due to liquidity constraint. Meanwhile CDR, which the company opted and had it approved from its lenders is also being pursued for regularization. Management believes that once the re-organizing process is put in place, it would be able to run its plants smoothly and generate sufficient funds which would in turn improve the company's profitability and make its net worth positive.

During the year under review, your Company's total sales were Rs. 346,353 Lacs (18 Months) as against Rs. 562,551 Lacs for the previous year (15 Months). The loss before finance cost, depreciation, exceptional items and taxes was Rs. 53,258 Lacs (18 Months) as against the profit of Rs. 7,515 Lacs for the Previous year (15 Months). The finance cost was Rs. 44,154 Lacs (18 Months) as against to Rs. 33,965 Lacs for the previous year(15 Months). The company recorded (Earning Per Share) EPS of Rs. (31.09) for the period ended December 31, 2012.

Division wise operational performance for the period ended December 31, 2012 was as under:

A. Oil Division

- 1. Mustard Oil:** During the period under review the Company's mustard oil plant was utilized up to 24 % of its installed/available capacity; it processed 480,254 MT of mustard seeds. Mustard Oil production stood at 157,861 MT against that of 237,345 MT in the previous year, recording a significant decrease of 44.57% as compared to previous year.
- 2. Refined Oils:** The Company's refined oil plants utilized 15 % of its available capacity and processed 109017 MT of crude oil. Refined oil production stood at 94,484 MT against that of 239670 MT in the previous year, recording a significant decrease of 67.15% over the previous year.
- 3. De Oiled Cake (DOC):** Solvent extraction plant utilized 19 % of its available capacity during the year under review and processed 366,483MT of oil cake/seeds. During the year, DOC production was at 314,073MT as against 438,960 MT during the previous year, thus recording a decrease of 40.37% over the previous year.

B. Vanaspati Division

Production of Vanaspati was at 3,271 MT against that of 11,152 MT in the previous year; decrease 75.56 % as compared to previous year.

C. Power Division

During the year power generated through wind mills was 200,910,809 units as against 158,928,285 units in the last year, thus recording an increase of 5.35% over the previous year. Out of these units, the Company has utilized 13,240,050 units for in-house consumption and sold 187,670,759 units and generated Rs. 6,051 lakh as additional revenue.

Dividend

In view of the losses incurred, your Board of Directors is unable to recommend any dividend for the period ending December 31, 2012.

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 annexed to the Annual Report.

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

Renewable Energy Initiatives:

All the 92 WTGs of 78 MW in Madhya Pradesh, Rajasthan, Gujarat & Tamilnadu are running successfully & generating revenue for the company through the sale of power to SEBs. Besides, the company is utilising the energy generated by Rathedi (Madhya Pradesh) 30 WTGs equivalent to 24.9 MW for captive consumption. Under the scheme, power generated from these WTGs is sold to MPTRANSCO (Madhya Pradesh Power Transmission Company Ltd) and the company shall get credit against the purchase of units at its Guna, Ratlam and Morena Plant, thereby, reducing Power cost of the three plants considerably.

During the year, company's fifth CDM project of 6 MW wind mills situated at Rajasthan got registered by UNFCCC under Kyoto Protocol. Company also completed third verification of its 8.5 MW Gujarat & Dewas (MP) project.

The company is in process of developing two more CDM projects in Tamilnadu & Madhya Pradesh. All these projects are at different stages of validation process of CDM cycle. The proceeds from the sale of carbon credit would make the project financially viable and shall improve the expected rate of return.

Moreover, the project will aid reduction of greenhouse gas emissions and will contribute towards climate change mitigation efforts. This will generate carbon credits by reducing GHG emission under Kyoto Protocol and the revenue generated from sale of carbon credits would support the project financially in addition to returns from the power generation.

Capital Raising/Preferential Allotment of Securities & Qualified Institutional Placement (QIP):

Preferential Issue of Equity Shares to the Qualified Institutional Buyers (QIBs) through Qualified Institutional Placement (QIP)

In order to meet the fund requirement of the Company for its (i) Working Capital requirement and (ii) Other Corporate purposes, the Company has allotted 33,767,282 Equity Shares of Re. 1/- each at a premium of Rs. 6.25 to the QIBs and raised Rs. 2,448.13 Lacs.

Utilization of proceeds received on preferential issue of securities:

The company has raised Rs 2,448.13 Lacs up to December 31, 2012 from allotment of equity shares on preferential basis to the QIBs. The proceeds of preferential allotment of equity shares have been utilized for the purpose of Working capital requirement.

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 current period 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

“Mr. Boda Venkatram was appointed as Additional Director by the Board of Directors of the Company at the Board Meeting held on August 14, 2012 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.”

As per the provision of Section 260 of the Companies Act, 1956, aforesaid Additional Director 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 person, proposing his reappointment as Director of the Company.

“Mr. Umesh Jain was appointed by the Board of Directors of the Company as Nominee Director appointed by IDBI Bank Limited as per loan agreement dated December 26, 2008 at the Board Meeting held on September 12, 2011. Appointment of Mr. Umesh Jain is not subject to the provisions of section 260, 257 and other provisions of the Companies Act, 1956 and shall not be liable to retire by rotation.

Further, the Company had received a letter no. CSPD-SSCB.53/Nom.8 from IDBI Bank dated September 12, 2012 in which the IDBI Bank had appointed Mr. M. B. Kaul as nominee director of the company in place of Mr. Umesh Jain. For the purpose to put to effect the letter of IDBI Bank, the board took note of resignation of Mr. Umesh Jain and instead appointed Mr. M. B. Kaul as Nominee Director at the board meeting held on October 05, 2012. Appointment of Mr. M. B. Kaul is not subject to the provisions of section 260, 257 and other provisions of the Companies Act, 1956 and shall not be liable to retire by rotation.

In accordance with the provisions of the Companies Act, 1956 Mr. R. Ganesh, Mr. Sanjay Agarwal, Mr. R. P. Singh & Mr. J. P. Singh resigned from the office of the Director of the company at the board meeting held on August 18, 2011.

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 to 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

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 board in its meeting dated November 10th, 2012 has decided to discontinue the ESOP Scheme which was open for the employees of the company. The Company has received waiver letter from its employees.

"Group" for Inter-Se Transfer of Shares

The following is the list of entities constituting "Group" (within the meaning as defined in Monopolies and Restrictive Trade Practice Act, 1969) for the purpose of disclosure as provided in clause 3 (1) (e) of the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997:

Sr. No.	Name of Entity
1.	Mr. Ramesh Chand Garg
2.	Ramesh Chand Garg HUF
3.	Smt. Sheela Devi Garg
4.	Mr. Sourabh Garg
5.	Sourabh Garg HUF
6.	Smt. Meeta Garg
7.	Garg Family Trust

Acknowledgements

Your Directors place on record their appreciation of the support extended by customers, investors, bankers, business associates, vendors and various government agencies. The Directors also sincerely acknowledge the significant contributions made by all the employees for their dedicated services to the Company.

For and On behalf of the Board of Directors

K S Oils Limited

Sd/-

Place: Morena

Date: July 26, 2013

Ramesh Chand Garg
(Chairman & Managing Director)