

Annual Report
1998 - 99



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KSE wins the National Productivity Performance Award



Shri. M.C. Paul, Chairman and Managing Director along with Shri. Anand Menon, Chief General Manager receiving the BEST PRODUCTIVITY PERFORMANCE AWARD constituted by the National Productivity Council from Shri. Som Pal, Minister of State for Agriculture in the presence of Shri. Sikander Bakht, Minister of Industry on 26th December '98 at Vigyan Bhavan, New Delhi.

BOARD OF DIRECTORS

Chairman and Managing Director

Shri. M.C. PAUL



Executive Director

Shri. T.O. PAUL

Whole-time Director

Shri. P.K. VARGHESE

Director and Legal Advisor

Shri. A.P. GEORGE

Directors

Shri. K.P. JOHN

Shri. T.R. RAGHAVAN

Shri. T.C. MATHEW

Shri. P.D. ANTO

Dr. K.C. VIJAYARAGHAVAN

Shri. JOHN FRANCIS K.

Shri. C. THOMAS

(Nominee, KSIDC, Trivandrum)



CHIEF GENERAL MANAGER

Shri. ANAND MENON

SECRETARY CUM-CHIEF FINANCE MANAGER

Shri. R. SANKARANARAYANAN

REGISTERED OFFICE

P.B. NO. 20

IRINJALAKUDA

KERALA STATE - 680121

AUDITORS

M/s. VARMA & VARMA

CHARTERED ACCOUNTANTS

TRICHUR

BANKERS

BANK OF BARODA

IRINJALAKUDA

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FINANCIAL HIGHLIGHTS

| | (Rs. in Lakhs) | |
|---|-----------------|----------|
| | 1998-99 | 1997-98 |
| Sales and Other Income | 12729.98 | 13200.71 |
| Gross Profit | 1368.56 | 1566.91 |
| Net Profit after Tax | 774.78 | 918.38 |
| Shareholders' Equity (Net Worth) | 2164.58 | 1656.10 |
| Capital Employed | 2615.00 | 2060.00 |
| Gross Fixed Assets | 2706.97 | 2142.17 |
| Shareholders' Equity per Share (in Rs.) | 67.64 | 51.75 |

DIRECTORS' REPORT

With pleasure your Directors present the 35th Annual Report together with the audited accounts for the financial year ended 31st March, 1999.

Financial Highlights

| | For the year ended 31.3.1999 (Rs. in lakhs) | For the year ended 31.3.1998 (Rs. in lakhs) |
|--------------------------------------|---|---|
| Profit before depreciation | 1287.96 | 1493.22 |
| Depreciation | 113.18 | 114.84 |
| Provision for Taxation | 400.00 | 460.00 |
| Profit after Taxation | 774.78 | 918.38 |
| Transfer to Gratuity Reserve | 27.91 | 3.15 |
| Transfer to General Reserve | 400.00 | 575.00 |
| Proposed Dividend | 240.00 | 320.00 |
| Provision for Corporate Dividend Tax | 26.40 | 32.00 |

Dividend

Your Directors are pleased to recommend a dividend of 75% for the year ended 31st March, 1999 upon which company has to pay tax at the rate of 11% of the dividend amount distributed. Out of the total proposed dividend, interim dividend at the rate of 25% has already been distributed among the shareholders.

Operations

Company's total turnover decreased by 4% to Rs. 126 Crores compared to Rs. 132 Crores in 1997-98. The profit after tax has also decreased from Rs. 918.38 lakhs to Rs. 774.78 lakhs. The reduction was due to the general recession prevailing in the market.

Capital Expenditure

Commercial production of cattle feed at the Palakkad unit commenced on 19-3-1999. This unit will be utilised for production of poultry feed which will be launched shortly after trials. The civil works for the Dairy project in Kerala and Tamil Nadu have been almost completed and the plant and machinery have already been installed. The Dairy project is expected to be commissioned by October, 1999.

Construction is in progress of a children's reading room and park at Irinjalakuda for an approximate cost of Rs. 30 lakhs with an intention to facilitate children in and around the place to have a hand on experience in the electronic media and to develop reading habits among them.

Awards

Your Company has won the Best Productivity Performance Award for the year 1996-97 instituted by the National Productivity Council, New Delhi in the category of Animal Feed Processing Industry. Further your Company also secured the MKK Nair Kerala State Productivity Award for the year 1997-98 being second among Medium Scale Industries.

Your Company also received the "Top Cattle Feed Manufacturer of India" Award instituted jointly by The Indian Association of Veterinary Pathologists and the Kerala Agricultural University.

The Company has also won the SEA Award constituted by Solvent Extractors' Association of India for Highest Processors of Coconut Cake for the year 1997-98.

Further, Trichur Management Association has honoured Shri. M.C. Paul, Chairman and Managing Director of the Company with "Best Manager Award" based on the performance of your Company.

Condolence

We, the Members of the Board wish to place on record our profound grief and deep sense of sorrow at the sad demise of the Founder Managing Director and later Chairman and then Chairman Emeritus, Shri. K.L. Francis on 2nd March, 1999.

We also record our appreciation on the exemplary and selfless leadership provided by him for the growth and development of the Company, since its inception.

Directors

Shri. K.P. John, Dr. K.C. Vijayaraghavan and Shri. P.D. Anto will retire at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

Auditors

M/s. Varma & Varma, Chartered Accountants will retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

The notes to the Accounts referred to in the Auditors' Report are self explanatory.

Y2K Compliance

Measures has already been taken to convert the hardware and the system and application software to the latest available products satisfying the requirements of Y2K compliance and the work is well progressing and it is expected that all the systems will be Y2K Compliant by October, 1999. The cost of this conversion is estimated at Rs. 70 lakhs.

Disclosure of particulars

Information as per the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 are given in the Annexure A, forming part of this report.

Acknowledgement

Your Directors express their grateful thanks to Shareholders, Bankers especially Bank of Baroda, customers, distributors and suppliers for continued support, co-operation and guidance. Your Directors wish to place on record their appreciation of the dedication and efforts put in by the employees of the Company at all levels.

Irinjalakuda
29 - 7 - 1999

By Order of the Board
Sd/-
M.C. Paul
Chairman and Managing Director

Annexure A to the Directors' Report

Additional information given as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A) Conservation of Energy

In the Irinjalakuda unit a new vapour absorption system has been installed which enables supply of chilled water for the refinery and for airconditioning the office building. This system enables conservation of electrical energy compared to conventional air-conditioning systems and thus leading to cost reduction.

B) Technology Absorption

During the year under review there was no major technology absorption undertaken by the Company.

C) Foreign Exchange Earnings and Outgo

| | (Rupees in lakhs) | |
|--------------------------|-------------------|---------|
| | 1998-99 | 1997-98 |
| Foreign Exchange Earning | Nil | Nil |
| Foreign Exchange used | 0.07 | 0.11 |

AUDITORS' REPORT

To

The Members of
KSE Limited
Irinjalakuda

We have audited the attached Balance Sheet of KSE Limited, Irinjalakuda, as at 31st March, 1999 and the annexed Profit and Loss Account for the year ended on that date.

1. In terms of the Manufacturing and other Companies (Auditors' Report) Order 1988 issued by the Company Law Board, Government of India, under section 227 (4A) of the Companies Act, 1956, we report that:

- i) The Company has maintained records showing quantitative particulars and location of fixed assets. We are informed that major items of fixed assets have been physically verified by the management as at the end of the year which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As explained to us, no material discrepancies were noticed on such verification.
- ii) None of the fixed assets has been revalued during the year.
- iii) The stocks of finished goods, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- iv) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- v) As explained to us, the discrepancies noticed between the book stock and physical stock are not material.
- vi) On the basis of our examination of stock records, and having regard to the practice followed, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in preceding year.
- vii) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under section 301 or from companies under the same management as defined under section 370 (1B) of the Companies Act, 1956.
- viii) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under section 301 or to companies under the same management as defined under section 370 (1B) of the Companies Act, 1956.
- ix) No loans or advances in the nature of loans have been given by the company during the year, other than interest-free advances given to the suppliers of capital items, suppliers of raw materials, and advances to staff which are being repaid/adjusted according to the agreed terms.
- x) In our opinion and according to the information and explanations given to us, the internal control procedure in vogue for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and sale of goods is fairly adequate for the size of the Company and the nature of its business.
- xi) As per explanations and information given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, aggregating during the year to Rs. 50,000 (Rupees fifty thousand only) or more, in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions of similar goods or services have been made with other parties.
- xii) As explained to us, the management has a procedure for determining unserviceable/damaged stores, raw materials and finished goods and provisions for loss on such items has been made to the extent determined by the management.
- xiii) In respect of deposits accepted by the Company from the public, the directions issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the Rules framed thereunder, wherever applicable, have been complied with.

- xiv) The Company has maintained reasonable records for sale and disposal of scrap. The Company has no by-products.
- xv) While there is no formal internal audit system in vogue, there are adequate internal control procedures as stated in clause (x) above.
- xvi) The Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, for the products of the Company.
- xvii) The Company has been regular in depositing the Provident Fund dues and Employees' State Insurance dues with the appropriate authorities.
- xviii) As per the information and explanations furnished to us, and according to the records of the Company as on the last day of the financial year, there were no undisputed amounts remaining outstanding in respect of Income tax, Sales tax, Customs duty and Excise duty which were due for more than six months from the date they became payable.
- xix) As per the information and explanations furnished to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- xx) The Company is not a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

II. Further to our comments above, we report as under.

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of account, as required by the Companies Act, 1956 have been kept by the Company so far as appears from our examination of the books;
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
4. Our audit is not intended, designed nor performed to provide and accordingly does not provide any assurance that the Company's internal systems or those of its external dependencies are or will be Year 2000 (Y2K) Compliant. However, in the opinion of the management the continuity of the business of the Company as a going concern will not be an issue on this account; and
5. The Balance Sheet and Profit and Loss Account dealt with by this report are in compliance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent considered applicable.

Subject to the above, and further subject to the Note No. 18(a) regarding non-disclosure of amounts dues to small scale industrial undertakings included under current liabilities, for want of information in this regard, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view;

- a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 1999, and
- b) in the case of Profit and Loss Account, of the profit for the year ended on that date.

Trichur
29 - 7 - 1999.

For VARMA & VARMA
Sd/-
(C. Pankajakshan)
Partner
Chartered Accountants