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Chairman and Managing Director

▶ **M.C. PAUL**

Executive Director

▶ **T.O. PAUL**

Whole-time Director

▶ **P.K. VARGHESE**

Director and Legal Advisor

▶ **A.P. GEORGE**

Directors

▶ **K.P. JOHN**

▶ **T.R. RAGHAVAN**

▶ **T.C. MATHEW**

▶ **P.D. ANTO**

▶ **Dr. K.C. VIJAYARAGHAVAN**

▶ **JOHN FRANCIS K.**

CHIEF GENERAL MANAGER

▶ **ANAND MENON**

SECRETARY-CUM-CHIEF FINANCE MANAGER

▶ **R. SANKARANARAYANAN**

REGISTERED OFFICE

▶ **SOLVENT ROAD  
IRINJALAKUDA  
KERALA STATE - 680121**

AUDITORS

▶ **M/s. VARMA & VARMA  
CHARTERED ACCOUNTANTS  
THRISSUR**

BANKERS

▶ **BANK OF BARODA  
IRINJALAKUDA**

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## FINANCIAL HIGHLIGHTS

	(Rs. in Lakhs)	
	2000-2001	1999-2000
Sales and Other Income	<b>13283.09</b>	13573.44
Gross Profit	<b>869.06</b>	481.10
Net Profit after Tax	<b>313.48</b>	140.57
Shareholders' Equity (Net Worth)	<b>2190.46</b>	2143.50
Capital Employed	<b>2805.07</b>	2991.35
Gross Fixed Assets	<b>3033.63</b>	2967.05
Shareholders' Equity per Share (in Rs.)	<b>68.45</b>	66.98

## DIRECTORS' REPORT

Your Directors hereby present their 37<sup>th</sup> Annual Report together with the audited accounts for the financial year ended 31<sup>st</sup> March, 2001.

### Financial Highlights

	For the year ended 31.3.2001 (Rs. in lakhs)	For the year ended 31.3.2000 (Rs. in lakhs)
Profit before depreciation	729.20	344.10
Depreciation	200.72	148.54
Provision for Taxation	215.00	55.00
Profit after Taxation	313.48	140.56
Surplus brought forward	88.68	194.86
Transfer to Gratuity Reserve	8.25	0.10
Transfer to General Reserve	100.00	100.00
Dividend	240.00	160.00
Corporate Dividend Tax	24.48	17.60

### Dividend

Your Directors recommend a dividend of 75% (Rs. 7.50 per equity share of Rs. 10 each) for the year ended 31<sup>st</sup> March, 2001.

### Operations

The solvent industry in India is facing severe set back due to free import of cheaper oils leading to general fall in the price of vegetable oils. Your Company is also not an exception to this. However, through prudent purchase policy, your Company could avoid loss in the solvent section. The Agricultural Sector in India is reeling under pressure, as a result of which the growth in the Cattle Feed Market was minimal. The Cattle Feed Division could, however, generate reasonable profits, as the price of raw materials eased to normal levels in the year under review. Due to stiff competition from the co-operative sector and that from the private organised and unorganised sector, your Company could not achieve break-even volume in the Dairy Division and, as a result, that division has incurred loss. Despite all these constraints, your Company could present commendable performance in terms of profits during the year under review. All efforts are being taken to improve the market share of Dairy Division and to improve the profitability of that division by introducing more value added products. While the Company's total turnover decreased by Three Crores to Rs. 132.61 Crores compared to immediately preceding year, due to the fall in the turnover of solvent division, the profit-after-tax has improved from Rs. 140.56 lakhs to Rs. 313.48 lakhs.

### Capital Expenditure

During the year under review, the Children's Information Centre and Park, constructed at Irinjalakuda at a cost of Rs. 30 lakhs to commemorate the Silver Jubilee of commencement of operations of the Company, has been opened for public on 2nd April, 2000. This project has been dedicated to the Public with an intention to facilitate children in and around the place to have experience in computer applications, develop good reading habits, provide recreation facilities, inculcate in them moral values and develop their cultural and artistic capabilities.

### Social Concern

At Children's Information Centre and Park several educational programmes by eminent faculties were arranged for the benefit of children during the current year. Kartavya, a club with children as its members and office bearers, was constituted under the guidance of KSE Limited for giving an opportunity to the children to exhibit their cultural and artistic capabilities, to improve their organisational capabilities and to imbibe in them the leadership qualities.

Your Company contributed Rs. 10 lakhs to the Gujarat Earth Quake Relief Fund and all the employees of the Company contributed their one day wages for this good cause.

## Awards

Your Company has won the Best Productivity Performance Award continuously for the three years 1996-97 to 1998-99 instituted by the National Productivity Council, New Delhi in the category of Animal Feed Processing Industry. The Company has also won the SEA Award constituted by Solvent Extractors' Association of India for Highest Processors of Coconut Cake for the year 1999-2000. This Award is being received by the Company for the past 10 years consecutively from the inception of the award.

## Directors

Shri. T.R. Raghavan, Shri. A.P. George and Shri. K.P. John will retire at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

## Directors' Responsibility

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

- (i) In the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) the Directors have selected such accounting policies and 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 at the end of the financial year and of the profit of the Company for that period.
- (iii) 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.
- (iv) the Directors have prepared the annual accounts on a going concern basis.

## Corporate Governance

Report on Corporate Governance in terms of the Listing Agreement has to be implemented on or before 31st March, 2003. Your Company is taking necessary steps for implementing the same before that date.

## Auditors

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

## Disclosure of Particulars

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in 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  
30 - 7 - 2001

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

Automatic power factor controller installed at Irinjalakuda Unit to correct the power factor. New Pellet mill, with improved design, coupled to a lower RPM motor installed in Swaminathapuram Unit for reducing the power consumption.

### 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)	
	2000-2001	1999-2000
Foreign Exchange Earning	Nil	Nil
Foreign Exchange used	141.98	0.70



## AUDITORS' REPORT

To  
The Members of KSE Limited  
IRINJALAKUDA

We have audited the attached Balance Sheet of KSE Limited, Irinjalakuda, as at 31<sup>st</sup> March, 2001 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 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, there were no material discrepancies between the book stock and physical stock.
  - 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 (Made inoperative w.e.f. 31.10.1998).
  - 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 (Made inoperative w.e.f. 31.10.1998).
  - 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 and 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 procedures in vogue for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and sale of goods are 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 quality and 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 necessary adjustments 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 the above, we report that :
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. 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; and
  5. On the basis of written representations received from the Directors and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2001 from being appointed as Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
  6. 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, 2001, and;
    - b) in the case of Profit and Loss Account, of the profit for the year ended on that date.

Trichur  
30 - 7 - 2001

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