

Annual Report

2002-2003





A Proud Moment

Sri. M.C. Paul, Chairman & Managing Director, Sri. Anand Menon, Chief General Manager,
Dr. Jose Pathadan, Chief Nutritionist, KSE Limited receiving **The Industry Excellency Award**
instituted by "**The Indian Society for Study of Animal Reproduction**" (ISSAR),
From Lt. General Hari Prasad at Jodhpur.



KSE
LIMITED

39th Annual Report

2002-2003

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.C. MATHEW

P.D. ANTO

Dr. K.C. VIJAYARAGHAVAN

JOHN FRANCIS K.

T.R. RAGULAL

CHIEF GENERAL MANAGER

ANAND MENON

SECRETARY-CUM-CHIEF FINANCE MANAGER

R. SANKARANARAYANAN

REGISTERED OFFICE

SOLVENT ROAD

IRINJALAKUDA

KERALA - 680121

AUDITORS

M/s. VARMA & VARMA

CHARTERED ACCOUNTANTS

THRISSUR

BANKERS

BANK OF BARODA

IRINJALAKUDA

REGISTRARS AND SHARE TRANSFER AGENTS

M/S. S.K.D.C. CONSULTANTS LIMITED

POST BOX NO. 2979

11, SETH NARAYANDOSS LAYOUT

STREET NO. 1, WEST POWER HOUSE ROAD

COIMBATORE - 641 012

Annual General Meeting

On Saturday, 27th September, 2003 at 3.00 p.m.

Venue

Registered Office, Solvent Road, Irinjalakuda

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FINANCIAL HIGHLIGHTS

	(Rs. in Lakhs)	
	2002-2003	2001-2002
Sales and Other Income	16646.62	13682.32
Gross Profit (Profit before depreciation and interest)	564.93	762.55
Net Profit after Tax	170.67	294.64
Shareholders' Equity (Net Worth)	2160.82	2168.05
Capital Employed	3625.99	3036.72
Gross Fixed Assets	3318.23	3200.64
Shareholders' Equity per Share (in Rs.)	67.53	67.75



Regd. Office : Solvent Road, Irinjalakuda - 680121

NOTICE OF THE MEETING

Notice is hereby given that the 39th Annual General Meeting of KSE Limited, Irinjalakuda will be held at the Registered Office of the Company on Saturday, the 27th September, 2003 at 3.00 P.M. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2003, Profit and Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Sri. T.C. Mathew, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. John Francis K., who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Sri. K.P. John, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification the following Resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of Sections 269,309,314 and other applicable provisions, if any, of the Companies Act, 1956, the Company approves the reappointment of Sri P.K. Varghese as Whole-time Director of the Company for a further term of three years with effect from 1st November, 2003 on a remuneration of Rs. 21,000 (Rupees Twenty One Thousand Only) per month in the scale of Rs. 21,000-1,000-23,000 along with bonus and perquisites as mentioned herein below, with in the overall limit under Schedule XIII of the Companies Act, 1956, to attend the day to day functioning of the Swaminathapuram and Thalayathu Units of the Company subject to the direction and control of the Managing Director and that the Whole-time Director shall carry out such duties as are from time to time assigned to him by the Board of Directors and/or the Managing Director:

- (a) Bonus at the rates and in accordance with the rules of the Company as applicable to the Senior managerial personnel of the Company with in the overall limit under Schedule XIII of the Companies Act, 1956.
- (b) Provision of a car with driver for official purposes and such driver's remuneration/expenses as fixed/approved by the Board shall be reimbursed to him, if he is not provided with Company's driver.
- (c) Free use of Company's telephone at his residence.
- (d) Company's contribution towards Provident fund to the extent the same is not taxable under the Income-tax Act, 1961.
- (e) Reimbursement of medical expenses incurred for himself and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- (f) Gratuity at the rate of half a month's salary for each year of completed service including past service with the Company.
- (g) Actual leave travel expenses excluding hotel charges once in a year to any place in India to himself and his family.
- (h) Fees to Clubs subject to a maximum of two Clubs provided that no life membership fee or admission fee is paid.
- (i) Personal accident insurance, the premium of which shall not exceed Rs. 1000 per annum.

RESOLVED FURTHER that in the event of loss or inadequacy of profits in any Financial Year, the Whole-time Director shall be paid remuneration by way of salary and perquisites as specified above."


KSE
 LIMITED

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8. To consider and if thought fit, to pass with or without modification the following Resolution as a Special Resolution:
 "RESOLVED that pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the reappointment of Sri. A.P. George as Director and Legal Advisor of the Company for a period of three years from 1st November, 2003 and payment of a sum of Rs. 7,500 (Rupees Seven Thousand Five Hundred Only) per month as fee for professional services rendered to the Company as Advocate in addition to reimbursement of actual expenses incurred by him on behalf of the Company, which is covered by the opinion expressed by the Central Government under section 309 (1) of the Companies Act, 1956."
9. To consider and if thought fit, to pass with or without modification the following Resolution as a Special Resolution:
 "RESOLVED to accord approval and consent under Section 314 and other applicable provisions, if any, of the Companies Act, 1956, to M/s. K.L. Francis & Sons, Irinjalakuda to hold the dealership of the Company for selling the Company's products on the same terms and conditions as other dealers of the Company."

By Order of the Board
 For KSE Limited

Sd/-

R.Sankaranarayanan
 Secretary-cum-Chief Finance Manager

Irinjalakuda
 August 7, 2003

Notes:

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out above is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote on a poll instead of himself and such a proxy need not be a member. The instrument of Proxy must be deposited with the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16 th September, 2003 to 27 th September, 2003 (both days inclusive).
4. In addition to the demat segment, the physical segment of shares are also handed over to the Registrars and Share Transfer Agents of the Company. The members are requested to address all correspondences, including dividend matters and change in their addresses, to the Registrars and Share Transfer Agents, M/s. S.K.D.C. Consultants Limited, 11, Seth Narayandoss Layout, Street No. 1, West Power House Road, Coimbatore - 641012.
5. Members/Proxies should bring the Attendance Slip duly filled in for attending the Meeting. Members who hold the shares in the dematerialised form are requested to bring their deposit account number (Client ID No.) for easier identification of attendance at the meeting.
6. Members are requested to utilise the facility to nominate a person to whom the shares held by him shall vest in the event of his death by filing nomination, in the prescribed form with the Company, as per Sections 109A and 109B of the Companies Act, 1956.
7. As required by the Companies Unpaid Dividend (Transfer to General Revenue Account) of the Central Government Rules, 1978, the Company had transferred unclaimed dividend declared for and upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government. Shareholders who have not claimed their dividend for the said financial years are requested to lodge their claim with the Registrar of Companies, Kerala.
 Pursuant to introduction of Section 205 A (c) of the Companies Act, 1956 any amount of dividend declared for the financial year ended 31st March, 1996 onwards and remaining unpaid or unclaimed for a period of seven years shall be transferred by the Company to Investor Education and Protection Fund established under Section 205C of the said Act. The members who have not encashed the dividend warrants for financial year ended 31st March, 1996 onwards are requested to lodge their claim with the Company. It may be noted that no claim shall lie against the Company or the Investor Education and Protection Fund in respect of unclaimed dividend amount thus transferred to the Fund.
8. Equity shares of the Company have been activated for dematerialisation with National Securities Depository Ltd. and Central Depository Services (India) Ltd. The ISIN No. allotted to the Company is INE953E01014. Any member desirous of dematerialising his holding may do so through any of the Depository Participants.

9. Brief particulars pertaining to the directors who are proposed to be re-appointed at this meeting, in terms of clause 49 of the Listing Agreement with Stock Exchanges:
- (a) Mr. T.C. Mathew aged 69 hails from a respectable agricultural family from Kandassankadavu. Mr. Mathew is a progressive coconut cultivator and is an expert in coconut farming. He was proprietor of an oil mill of his own and is having immense practical experience in oil mill industry. Mr. T.C. Mathew was appointed as Director of the Company with effect from 29.12.1970 and is servicing the Company with his practical knowledge.
 - (b) Mr. John Francis K. aged 46 hails from a respectable business family of Irinjalakuda, engaged primarily in oil mill industry. He has gained good experience in oil milling under the umbrella of his family business. He has joined as Director of the Company with effect from 1.11.1994 and is servicing the Company as Director for the past 9 years.
 - (c) Mr. K.P. John, M.A. LLB. aged 76 hails from a respectable business family of Irinjalakuda, engaged primarily in oil mill industry. He was past Governor of District 324 E of Lions Club. He was Chairman of Irinjalakuda Municipality for six years. He is also engaged in cashew business. He has joined as Director of the Company with effect from 15.4.1969 and is servicing the Company with his vast experience.

THE EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956:

Item 7

Sri. P.K. Varghese is Director of the Company, with effect from 29.12.1970 and is acting as Whole-time Director of the Company with effect from 1.11.1994. He hails from a business family in Irinjalakuda renowned for running oil mills. He is having immense practical experience in oil milling. He is a graduate in Science. The current tenure of his appointment expires on 31st October, 2003. Your Directors are desirous that his valuable services may be continued to be utilised for the benefit of the Company. The Board accordingly recommends that Sri. P.K. Varghese be reappointed as Whole-time Director of the Company for a further period of three years from 1st November, 2003 on a remuneration and perquisites as set forth in the resolution. The Board also recommends that in the event of loss or inadequacy of profits for the Company in any financial year the Whole-time Director shall be paid remuneration by way of salary and perquisites as specified in the resolution.

Sri. P.K. Varghese is interested in the proposed resolution to the extent of remuneration payable to him. None of the other Directors is interested or concerned in the proposal.

Item 8

Sri A.P. George was reappointed as Director and Legal Advisor of the Company for a period of three years from 1.11.2000. His term of appointment as Director and Legal Advisor of the Company expires on 31st October, 2003. Your Directors are desirous that his valuable services may be continued to be utilised for the benefit of the Company. The Board accordingly recommends that Sri. A.P. George be reappointed as Director and Legal Advisor of the Company for a further period of three years from 1st November, 2003 on a monthly professional fee of Rs. 7,500 in addition to the reimbursement of actual expenses incurred by him for the purpose of the Company. The Central Government has already given their opinion in terms of Section 309 (1) of the Companies Act, 1956 that Sri. A.P. George possesses the requisite qualifications for payment of fee for professional services rendered as an advocate of the Company. Since Sri. A.P. George is holding office or place of profit under Section 314 (1) of the Companies Act, 1956, a Special Resolution is to be passed in the General Meeting to accord approval and consent for the said reappointment.

Sri. A.P. George is interested in the proposed resolution to the extent of professional fee payable to him. None of the other Directors is interested or concerned in the proposal.

Item 9

Sri. John Francis K., Director of the Company is a Partner of M/s. K.L. Francis and Sons, Irinjalakuda, which has been appointed as dealer of the Company for the sale of its products. Since the dealership for sale of Company's products is a place of profit with in the meaning of Section 314 of the Companies Act, 1956, a Special Resolution is to be passed to accord approval and consent.

None of the Directors is interested in the above Resolution except Sri. John Francis K. in his individual capacity.



DIRECTORS' REPORT

Your Directors have pleasure in presenting their 39th Annual Report together with the audited accounts for the financial year ended 31st March, 2003.

Financial Highlights

	For the year ended 31.3.2003 (Rs. in lakhs)	For the year ended 31.3.2002 (Rs. in lakhs)
Profit before depreciation	443.60	655.36
Depreciation	174.94	186.61
Provision for Taxation	97.99	174.10
Profit after Tax	170.67	294.65
Surplus brought forward	62.49	27.39
Transfer to Gratuity Reserve	6.77	17.50
Transfer to General Reserve	25.00	32.91
Dividend	160.00	192.00
Corporate Dividend Tax	20.50	19.58

Dividend

Your directors recommend a dividend of 50 % (Rs. 5 per share of Rs. 10 each) for the year ended 31st March, 2003.

Operations

During the year 2002-2003, the turnover of the Company improved by 22 % compared to that of the previous year. The sales volume of cattle feed also marked an increase of 10 %. However, there was set back in animal feed industry due to steep rise in ingredient prices as a result of failure of monsoon. In the larger interest of your Company the price of cattle feed has been retained at reasonable levels and hence the margin of that division has slid considerably.

To overcome the shortage in the availability of coconut oil cake, your company had to depend on imported cakes to utilise the capacity of the plants at optimum levels. In addition your company processed 13,000 tonnes of coconut oil cake on contract basis in another plant. Because of imports, the oil cake processing division could present a reasonable return during the year under review.

Though the turn-around of Dairy division is yet to be achieved, the loss of that division has been curtailed, thanks to the increase in volume of operations by 28 % compared to that of previous year. The commercial production of ice creams started on 17th August, 2002 in Konikkara Dairy Unit. Our ice cream, marketed under the brand name of Vesta, has been well accepted in the market. Already two ice cream parlours, one at Irinjalakuda and another at Konikkara, have been set up by the Company targeting retail marketing, which has started giving good results. Your Company is planning to open more own ice cream parlours at strategic locations to cater the retail market.

More information relating to the operations of the Company has been furnished in the Management Discussion and Analysis Report, as per Clause 49 of the Listing Agreement.

Capital Expenditure

As a part of introducing value added products to Dairy Division, a most modern and sophisticated 2000 LPD ice cream plant has been commissioned in Konikkara Unit at a cost of around Rs. 100 lakhs.

Awards

The Company has won the SEA Award constituted by Solvent Extractors' Association of India for Highest Processors of Coconut Oil Cake for the year 2001-2002. This Award is being received by the Company for the past 12 years consecutively since the inception of the award.

Directors

Sri T.C. Mathew, Sri. John Francis K., and Sri. K.P. John will retire at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

Directors' Responsibility

Pursuant 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 year.
- (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

Corporate Governance Report and Management Discussion and Analysis Report and Certificate from Auditors on Corporate Governance has been furnished separately and forms part of this report.

Auditors' Report

The Board has arranged for internal audit, commensurate with the size and nature of the business of the Company. The transactions for the year 2003-2004 and thereon will be subjected to internal audit. Regarding the remark in item I (xv) of the Auditors Report, there are adequate internal control procedures as stated in clause (x) of their Report, though there is no formal internal audit system in vogue during the year under report.

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.

Particulars of employees

As there are no employees who are drawing the specified remuneration, particulars of employees under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not given.

Acknowledgement

Your Directors express their grateful thanks to Shareholders, Bankers, especially Bank of Baroda, Registrars and Share Transfer Agents, customers, distributors and suppliers for continued support, cooperation and guidance. Your Directors wish to place on record their appreciation for the loyalty and commitment shown in by the employees of the Company at all levels.

By Order of the Board

Sd/-

M.C. Paul

Chairman and Managing Director

Irinjalakuda

August 7, 2003