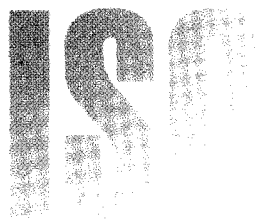




Report  junction.com

A n n u a l R e p o r t
2 0 0 3 - 2 0 0 4



ISO 9001:2000



Certificate of Registration

KPMG Quality Registrar (A business unit of KPMG) Herby Register

KSE Limited

Irinjakkudi - 686121, Kerala, India

and its quality system as assessed in accordance to the Standard .

ISO 9001:2000

For the scope:

Manufacture of compound live stock feed, solvent extracted coconut oil, de oiled coconut cake and refined coconut oil.

Further details about the scope of the certificate can be found in the annexure to the certificate.

Certificate Number : 04101990
Effective Date : June 29, 2004
Issue Date : July 16, 2004
Expiration Date : June 28, 2007

Suresh Shah
Suresh Shah
Executive Director, KPMG



The registration is given subject to the conditions governing the use of this certificate as set forth in the agreement between KPMG Quality Registrar and the holder thereof.
Registration does not assure the effectiveness of a quality system.
KPMG is a partnership firm registered under the provisions of Indian Partnership Act and is a member firm of KPMG International.

ISO 14001:1996



Certificate of Registration

KPMG Quality Registrar (A business unit of KPMG) hereby confirms that based on the results of the initial assessment, the environment management system of:

KSE Limited

Dairy Division

P. O. Thalayattu - 624618 Palani, TN, Dindigul District, Tamilnadu, India

complies with the requirements as stipulated in the standard .

ISO 14001 : 1996

For the scope:

Processing of Milk.

Certificate Number : 04E0122/2
Effective Date : June 26, 2004
Issue Date : July 14, 2004
Expiration Date : June 25, 2007

Suresh Shah
Suresh Shah
Executive Director, KPMG



The registration is given subject to the conditions governing the use of this certificate as set forth in the agreement between KPMG Quality Registrar and the holder thereof.
Registration does not assure the effectiveness of a quality system.
KPMG is a partnership firm registered under the provisions of Indian Partnership Act and is a member firm of KPMG International.

ISO 14001:1996



Certificate of Registration

KPMG Quality Registrar (A business unit of KPMG) hereby confirms that based on the results of the initial assessment, the environment management system of:

KSE Limited

Dairy Division

Konakkal - P. O. Maruthakavayal - 686103, Tiruvananthapuram District, Kerala, India

complies with the requirements as stipulated in the standard .

ISO 14001 : 1996

For the scope:

Processing of milk, milk products like ice cream, ghee, curd and buttermilk.

Certificate Number : 04E0122/1
Effective Date : June 26, 2004
Issue Date : July 14, 2004
Expiration Date : June 25, 2007

Suresh Shah
Suresh Shah
Executive Director, KPMG



The registration is given subject to the conditions governing the use of this certificate as set forth in the agreement between KPMG Quality Registrar and the holder thereof.
Registration does not assure the effectiveness of a quality system.
KPMG is a partnership firm registered under the provisions of Indian Partnership Act and is a member firm of KPMG International.

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
ICICI BANK LIMITED

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, 25th September, 2004 at 3 p.m.

Venue

Registered Office, Solvent Road, Irinjalakuda



CONTENTS

	PAGE
FINANCIAL HIGHLIGHTS	3
NOTICE	4
DIRECTORS' REPORT	8
CORPORATE GOVERNANCE REPORT	11
MANAGEMENT DISCUSSION AND ANALYSIS	16
AUDITORS' REPORT	18
BALANCE SHEET	21
PROFIT AND LOSS ACCOUNT	22
SCHEDULES	23
CASH FLOW STATEMENT	36
SUMMARISED BALANCE SHEET	37
SUMMARISED PROFIT AND LOSS ACCOUNT	38

FINANCIAL HIGHLIGHTS

	2003-2004 Rs. in Lakhs	2002-2003 Rs. in Lakhs
Sales and Other Income	18713.89	16646.62
Gross Profit <i>(Profit before depreciation and interest)</i>	1096.67	565.51
Net Profit after Tax	503.96	173.27
Shareholders' Equity (Net Worth)	2302.96	2160.82
Capital Employed	3034.20	3625.99
Gross Fixed Assets	3421.64	3318.23
	Rs.	Rs.
Shareholders' Equity per Share	71.97	67.53
Earnings per share of Rs. 10 each	15.75	5.41
Dividend Percentage	100 %	50 %



Regd. Office : Solvent Road, Irinjalakuda - 680121

NOTICE OF THE MEETING

Notice is hereby given that the 40th Annual General Meeting of KSE Limited, Irinjalakuda will be held at the Registered Office of the Company on Saturday, the 25th September, 2004 at 3.00 P.M. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2004, 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. A.P. George, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri. P.K. Varghese, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Dr. K.C. Vijayaraghavan, 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 T.O. Paul as Executive Director of the Company for a further term of three years with effect from 28th September, 2004 on a remuneration of Rs. 30,000 (Rupees Thirty Thousand Only) per month in the scale of Rs. 30,000-2,000-34,000 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 Company subject to the direction and control of the Managing Director and that the Executive 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. 1,000 per annum.

RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year, the Executive Director shall be paid remuneration by way of salary and perquisites as specified above."

8. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

"RESOLVED that Mr. T.R. Ragulal, who has been appointed as a Director by the Board of the Directors of the Company in the vacancy due to the death of Sri. T.R. Raghavan on 7.1.2002, as per the provisions of Section 262 of the Companies Act, 1956 and by virtue of that Section who has to vacate his office as Director of the Company, on 25.09.2004, the date of the Annual General Meeting, be and is hereby appointed as a Director of the Company in terms of Section 257 of the Companies Act, 1956 in respect of which the Company has received notice in writing under his hand signifying his candidature for the office of director along with a deposit of Rs. 500 as per the provisions of that Section."

9. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

"RESOLVED that in supersession of the Resolution passed at the Annual General Meeting held on 27 th September, 1997, the consent of the Company be and is hereby accorded, in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging by the Board of Directors of the Company, whether pari passu with the existing charge or not, of all the immovable and movable properties of the Company where ever situate, present and future, and the whole of the undertaking of the Company or such of them as may be agreed between the Board on the one side and Financial Institutions/ Banks/Governments on the other side to secure loans granted to the Company by them not exceeding Rs. 40 crores (Rupees Forty crores only) in the aggregate from the Financial Institutions/Banks/Governments together with interest, commitment charges, costs and other charges and expenses payable by the Company in terms of the loan agreement or agreements that may be entered into between the Company on the one side and the Financial Institutions/Banks/ Governments on the other side from time to time subject to the condition that such loan or loans are used for capital projects and/or working capital of the Company."

10. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

"RESOLVED that in supersession of the Resolution passed at the Annual General Meeting of the Company held on 27 th September, 1997, consent of the Company be and is hereby accorded to the Board of Directors of the Company, pursuant to Section 293 (1) (d) of the Companies Act, 1956, for borrowing from time to time, at its discretion, either from the Company's Bank or any other Bank, Financial Institution or any other lending Institutions or persons on such terms and conditions as may be considered suitable by the Board of Directors of the Company, any sum or sums of money together with the money already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) shall not exceed, in the aggregate, at any one point of time, Rs. 40 crores (Rupees Forty crores only) irrespective of the fact that such aggregate amount of borrowing outstanding, at any one point of time, may exceed for the time being the paid up capital of the Company and its free reserves, that is, reserves not set apart for any specific purpose."

By Order of the Board

For KSE Limited

Sd/-

R.Sankaranarayanan

Secretary-cum-Chief Finance Manager

Irinjalakuda
August 18, 2004

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, 2004 to 25 th September, 2004 (both days inclusive).
4. 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 up to 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. Accordingly the Company had remitted the unclaimed dividend for the financial year ended 31st March, 1996 to the said Fund. The members who have not encashed the dividend warrants for financial year ended 31st March, 1997 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. Members have facility for dematerialising equity shares of the Company 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. In terms of clause 49 of the Listing Agreement with Stock Exchanges, brief particulars pertaining to the directors who are proposed to be re-appointed at this meeting:
 - (a) Mr. A.P. George, B.A., B.L., aged 69 is a Promoter Director of the Company effective from 25.09.1963 and is acting as Director and Legal Advisor of the Company from 1.11.1994. He is also acting as the Chairman of the Shareholders/ Investors Grievance Committee of the Company with effect from 28.09.2002. By Profession he is a Senior Advocate of Irinjalakuda Bar. He was also Chairman of Irinjalakuda Municipality for over 7 years.
 - (b) Mr. P.K. Varghese, aged 58 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.
 - (c) Dr. K.C. Vijayaraghavan, aged 47 hails from a leading business family of Thrissur. He joined the Board of Directors of the Company on 30.04.1990 and is also a member of the Audit Committee effective from 28.09.2002. He is a Paediatrician by profession with a Post Graduate Degree in Paediatrics from University of Bombay (Grant Medical College and J.J. Group of Hospitals, Bombay). At present he is working as a Consultant Child Specialist at Elite Mission Hospital, Trichur in which he is also a partner.

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

Item 7

Sri. T.O. Paul, B.A., B.L., is a Promoter Director of the Company with effect from 25.09.1963. He acted as Whole-time Director of the Company with effect from 16.05.1988 and later on is acting as Executive Director of the Company with effect from 1.11.1994. He hails from a respectable business family in Irinjalakuda reputed for their expertise in oil milling and cashew processing industry. He is having immense practical experience in oil milling. He was for a long time President of Kerala State Oil Millers' Association and Coconut Oil & Copra Producers' Cooperative Society Ltd. He was earlier practising as an Advocate in Irinjalakuda Bar.

The current tenure of his appointment expires on 27th September, 2004. 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. T.O. Paul be reappointed as Executive Director of the Company for a further period of three years from 28th September, 2004 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 Executive Director shall be paid remuneration by way of salary and perquisites as specified in the Resolution.

Sri. T.O. Paul 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

In the vacancy on the Board of the Company due to the death of Sri. T.R. Raghavan, a Director liable to retire by rotation, the Board appointed Sri. T.R. Ragulal on 31.01.2002, pursuant to Article 108 (2) of the Articles of Association of the Company, under Section 262 of the Companies Act, 1956. Sri. T.R. Ragulal holds office only up to the date upto which Sri. T.R. Raghavan, in whose place he was appointed, would have held office, namely, up to the date of the ensuing Annual General Meeting. The Company has received notice in writing under his hand signifying his candidature for the office of director along with a deposit of Rs. 500/- under the provisions of Section 257 of the Companies Act, 1956.

Sri. T.R. Ragulal, aged 42 has secured his B.B.A. from University of Pennsylvania, U.S.A. He hails from a respectable business family of Trichur. He is currently the Managing Director of M/s. Yamuna Roller Flour Mills Pvt. Limited and Elite Foods Pvt. Ltd. At present he is the Chairman of the Kerala State Committee of Confederation of Indian Industries.

Your Directors are desirous that his valuable services may be continued to be utilised for the benefit of the Company by appointing him as a Director, liable to retire by rotation, as per the provisions of Section 257 of the Companies Act, 1956. Except Sri. T.R. Ragulal, none of the other directors are interested in the resolution.

Item 9

In accordance to Section 293 (1) (a) of the Companies Act, 1956, the Board of Directors shall not, except with the consent of shareholders in the General Meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company. Your Directors consider that the creation of equitable mortgage on the fixed assets of the Company, which form the undertakings of the Company, attracts the provisions of Section 293 (1) (a) of the Companies Act, 1956. The term "sell, lease or otherwise dispose of" in effect covers all modes of disposal of property such as creation of equitable mortgage in favour of Banks/Financial Institutions for the purpose of securing loans and advances.

At the Annual General Meeting of the Company held on 27 th September, 1997 consent of the shareholders have been obtained for mortgaging/charging the properties of the Company to secure loan or loans not exceeding Rs. 25 crores in the aggregate. Your Directors are considering various projects for adoption as part of expansion of the area of operation of the Company. Further, along with the expansion in the operations of the Company the need for enhancement in the working capital limits also will arise. Since these are to be financed by borrowed capital, charge by way of equitable mortgage/hypothecation is required to be created in favour of Banks/Financial Institutions. This calls for enhancement in the limits for creation of charge on the fixed assets of the Company. Your Directors suggest that the limit may be enhanced up to Rs. 40 crores.

The proposal contained in the above Ordinary Resolution is placed before you for your acceptance in the interest of the Company. None of your Directors is directly or indirectly interested in the aforesaid proposal.

Item 10

Pursuant to the provisions of Clause (d) of Sub-Section (1) of Section 293 of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of the paid up capital of the Company and its free reserves at any one time except with the consent of the shareholders of the Company in a General Meeting. At the Annual General Meeting of the Company held on 27 th September, 1997 consent of the members have been given to the Directors to borrow up to a maximum amount of Rs. 20 crores, irrespective of the fact that such amount together with the moneys already borrowed by the Company (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) exceeded the aggregate of paid up capital and the free reserves of the Company as on that date. Your Directors are considering various proposals of capital projects for implementation which requires borrowed capital. Therefore, your Directors place before you the proposal to increase the maximum borrowing limit to Rs. 40 crores.

None of the Directors of your Company is interested, either directly or indirectly, in the said proposal and recommends your approval thereof in the interest of the Company.



DIRECTORS' REPORT

Your Directors have pleasure in presenting their 40th Annual Report together with the audited accounts for the financial year ended 31st March, 2004.

Financial Highlights

	For the year ended 31.3.2004 (Rs. in lakhs)	For the year ended 31.3.2003 (Rs. in lakhs)
Profit before depreciation	990.49	444.17
Depreciation	162.64	174.94
Taxation	323.89	95.96
Profit after Tax	503.96	173.27
Surplus brought forward	23.49	62.49
Transfer to Gratuity Reserve	—	6.77
Transfer to General Reserve	100.00	25.00
Dividend	320.00	160.00
Corporate Dividend Tax	41.82	20.50

Dividend

Considering the improved performance of your Company during the reporting period, your directors recommend a dividend of 100 % (Rs.10 per share of Rs.10 each) for the year ended 31st March, 2004.

Operations

The turnover of the Company showed a commendable improvement by 12 % when compared to that of the previous year. The sales volume of cattle feed also remarkably increased by 9 %. Due to the good monsoon during last year the price of cattle feed ingredients stabilised at normal levels, and thus your Company could present improved performance. As per reports, good rain has been received all over India during the current season indicating bumper crop for oil seeds and grains which in turn will help to keep the prices of cattle feed ingredients at reasonable levels. We are also exploring possibilities for outsourcing production of cattle feed in third party units in order to curtail the overhead costs.

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. Though there is increase in the prices of imported cakes as a result of improved demand, the profitability of oil cake processing division was not affected due to the better market price for coconut oil.

The loss of the Dairy Division has been curtailed considerably, when compared to that of previous years. "Vesta" brand ice cream is well accepted in the market for its quality. The own ice cream parlours set up by the Company targeting retail marketing has started giving good results. Your Company is planning to open more own ice cream parlours at strategic locations to cater to 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

The Board of Directors of your Company has approved Rs. 12 Crores Project for setting up of one 200 TPD Solvent Extraction Plant and one 100 TPD Oil Physical Refining Plant at KINFRA Small Industries Park, Koratty, Trichur District. Six acres of land, under 90 years lease, has been allotted by KINFRA for a lease premium of Rs. 92 lakhs. The necessary civil works for the said project has started.

Awards

Your Company has won the Best Productivity Performance Awards instituted by the National Productivity Council, New Delhi in the category of Animal Feed Processing Industry for the years 1999-2000, 2000-2001 and 2001-2002. Your Company is receiving this award for the sixth time continuously from the year 1996-97 onwards. The Company has won the SEA Award constituted by Solvent Extractors' Association of India for Highest Processors of Coconut Oil Cake for the year 2002-2003. This Award is being received by the Company for the past 13 years consecutively since the inception of the award. The Company has also received the Best Productivity Performance Award instituted by Kerala State Productivity Council for the year 2002-2003 in the category of medium industries.