



Annual  
Report  
2004 - '05



Exciting growth.  
Growing expectations.





### **EXCELLENCE REWARDED AGAIN**

KSE Ltd., was honoured consecutively for the eighth time with the Best Productivity Performance Award instituted by the National Productivity Council, for the year 2003- 04 in the category of Animal Feed Processing Industry.

The Award was received on behalf of KSE Ltd., by Sri. M.C. Paul, Chairman & Managing Director and Sri. Anand Menon, Chief General Manager from the Honourable Union Minister for Agriculture, Sri. Sharad Pawar on 10th May, 2005 at New Delhi.

*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 - 680 121*

**Auditors**

*M/s. Varma & Varma  
Chartered Accountants  
Thrissur*

**Bankers**

*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 Wednesday,  
31st August, 2005 at 3 p.m.*

**Venue**  
*Registered Office,  
Solvent Road, Irinjalakuda*

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## *Financial Highlights*

	<b>2004-2005</b> Rs. in Lakhs	2003-2004 Rs. in Lakhs
<i>Sales and Other Income</i>	<b>21301.58</b>	18713.89
<i>Gross Profit</i> (Profit before depreciation and interest)	<b>1342.14</b>	1096.67
<i>Net Profit after Tax</i>	<b>675.58</b>	503.96
<i>Shareholders' Equity (Net Worth)</i>	<b>2535.54</b>	2302.96
<i>Capital Employed</i>	<b>4223.59</b>	3034.20
<i>Gross Fixed Assets</i>	<b>4104.11</b>	3421.64
	<b>Rs.</b>	<b>Rs.</b>
<i>Shareholders' Equity per Share</i>	<b>79.24</b>	71.97
<i>Earnings per share of Rs. 10 each</i>	<b>21.11</b>	15.75
<i>Dividend Rate</i>	<b>125 %</b>	100 %



Regd. Office : Solvent Road, Irinjalakuda - 680121

## NOTICE OF THE MEETING

Notice is hereby given that the 41<sup>st</sup> Annual General Meeting of KSE Limited, Irinjalakuda will be held at the Registered Office of the Company on Wednesday, the 31<sup>st</sup> August, 2005 at 3.00 P.M. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2005, 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. P.D. Anto, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri. T.C. Mathew, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Sri. John Francis K, 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 terms of appointment and remuneration of Sri. M.C. Paul who has been reappointed as Managing Director of the Company for a further term of three years with effect from 23rd October, 2005 on a remuneration of Rs. 44,000 (Rupees forty four thousand only) per month in the scale of Rs. 44,000-3,000-50,000 along with bonus and perquisites as mentioned herein below with in the overall limit under Schedule XIII of the Companies Act, 1956, are hereby approved as set out in the draft agreement submitted to this meeting and for identification signed by the Chairman thereafter which agreement is specifically sanctioned with liberty to the directors to alter and vary the terms and conditions of the said appointment and/or agreement with out increasing the remuneration mentioned therein and in such manner as may be agreed to between the Directors and Sri. M.C. Paul:

- (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 Managing Director shall be paid remuneration by way of salary and perquisites as specified above."

By Order of the Board  
For KSE Limited

Sd/-

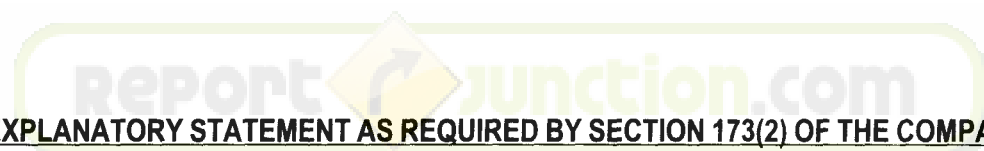
R.Sankaranarayanan  
Secretary-cum-Chief Finance Manager

Irinjalakuda  
June 28, 2005

## 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 17 th August, 2005 to 31 st August, 2005 (both days inclusive).
4. Dividend as recommended by the Board of Directors, if declared at the meeting, will be paid to those members whose names appear in the Register of Members of the Company as on 31.08.2005. In respect of shares held in dematerialised form, the dividend will be paid on the basis of beneficial ownership as per the details furnished by the Depositories for this purpose at the end of business hours as on 16.08.2005.
5. 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.
6. 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.
7. 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.
8. 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 the Investor Education and Protection Fund established under Section 205C of the said Act. Accordingly the Company had remitted to the said Fund the unclaimed dividend up to the interim dividend for the financial year ended 31st March, 1998. 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 said Fund. The members who have not encashed the dividend warrants for the final dividend for financial year ended 31st March, 1998 onwards are requested to lodge their claim with the Company.
9. 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.

10. 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. P.D. Anto aged 55 hails from a respectable business family of Irinjalakuda, engaged mainly in oil milling. He is having immense experience in oil milling. He joined as a Director of the Company effective from 29.03.1989. He is also acting as a member of the Shareholders'/Investors' Grievance Committee of the Company with effect from 28.09.2002.
  - (b) Mr. T.C. Mathew aged 71 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. He is also acting as a member of the Audit Committee of the Company with effect from 28.09.2002.
  - (c) Mr. John Francis K. aged 48 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 11 years. He is also acting as a member of the Shareholders'/Investors' Grievance Committee of the Company with effect from 28.09.2002.



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

**Item 7**

Sri. M.C. Paul is a Promoter Director and is actively associated with the development of the Company from its inception. He was appointed as Whole-time Director with effect from 23-10-1976 and later on as Executive Director with effect from 23-10-1977. He was further appointed as Managing Director of the Company with effect from 01-11-1994 and still continues as Managing Director of the Company. During his tenure as Managing Director, the business of the Company grew substantially registering steady growth in terms of turnover, profits and reserves and the Company won the National Productivity Award consecutively for eight years from 1996-97 to 2003-04 for the best productivity performance in the category of Animal Feed Processing Industry.

The present term of appointment of Sri. M.C. Paul as Managing Director of the Company expires on 22nd October, 2005. Your Directors are desirous that his valuable services may be continued to be utilised for the benefit of the Company. Accordingly the Board recommends that Sri. M.C. Paul be reappointed as Managing Director of the Company for a further period of three years on a remuneration and perquisites as set forth in the resolution. The Draft agreement to be entered into with Sri. M.C. Paul for appointment as Managing Director is available for inspection of members at the Registered Office on all working days up to the date of Annual General Meeting between 11.00 A.M. and 1.00 P.M.

Sri. M.C. Paul is interested in the proposed resolution to the extent of remuneration payable to him. None of the other Directors are interested or concerned in the proposal.



## DIRECTORS' REPORT

Your Directors have pleasure in presenting their 41<sup>st</sup> Annual Report together with the audited accounts for the financial year ended 31<sup>st</sup> March, 2005.

### Financial Highlights

	For the year ended 31.3.2005 (Rs. in lakhs)	For the year ended 31.3.2004 (Rs. in lakhs)
Profit before depreciation	1242.30	990.49
Depreciation	156.58	162.64
Taxation	410.14	323.89
Profit after Tax	675.58	503.96
Surplus brought forward	65.62	23.49
Transfer to General Reserve	200.00	100.00
Dividend	400.00	320.00
Corporate Dividend Tax	56.10	41.82

### Dividend

Considering the improved performance of your Company during the reporting year, your directors recommend a dividend of 125 % (Rs. 12.50 per share of Rs.10 each) for the year ended 31st March, 2005.

### Operations

The turnover of the Company showed a commendable improvement by 14 % from Rs. 186.94 crores in the immediate previous year to Rs. 213.10 crores for the financial year 2004-05. The sales volume of cattle feed also remarkably increased by 20.56 %. As a result of good crop in the year under report, the ingredients for cattle feed were available at reasonable and steady prices, and your Company could better its performance. Though initially monsoon rains shied away during this season, the current momentum of showers indicates widespread good rains bettering our hopes for bumper crop for oil seeds and grains which in turn will help to keep the prices of cattle feed ingredients at reasonable levels. We had also outsourced a part of our production of cattle feed, which had helped us to curtail the overhead costs.

The price of local and imported coconut oil cake was on a higher side due to rise in general demand which resulted in a slide in profits for that division compared to immediate previous financial year. However, in the current year, sufficient quantity of good quality local coconut oil cake is available at comparatively economical rate, and as such, though it is too early to estimate, it is expected that during the financial year 2005-2006 that division may present a better performance.

Two of our long pending demands were now accepted by the Government. On implementation of the Kerala Value Added Tax Act, 2003 with effect from 1st April, 2005, the tax on cattle feed and on deoiled coconut cake at 4.60 % is withdrawn and your Company had passed on the entire benefit as a result of this to the farmers. We sincerely believe that this will provide a boost to the cattle farming in coming years. Also the levy of excise duty on refined oils at the rate of Re. 1 per Kg. has been withdrawn in the Finance Act, 2005, which will improve the realisation of your Company on sale of Refined Solvent Extracted Coconut Oil.

Though the Dairy Division is at a loss, we could curtail the loss considerably by stringent cost control measures, and it is noteworthy that Division has not incurred cash loss for the reporting year. Recently the controlled price for milk has been revised upward and as a result that Division will reap reasonable profits during 2005-2006 provided all the other external factors remain the same. "Vesta" brand ice cream has established in the market and has gained wide acceptance. New varieties of ice creams are being introduced and new distribution areas are identified.

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.

### ISO Accreditation

Both the Dairy Units at Konikkara and Thalayathu has been accredited with ISO 9001:2000, ISO 14001:1996 and HACCP registration by KPMG Quality Registrar. Irinjalakuda Unit of your Company has already been accredited with ISO 9001:2000 registration by KPMG Quality Registrar. Steps for implementation of ISO 9001:2000 in Swaminathapuram and Vedagiri Units are in progress.

### Capital Expenditure

The implementation of the 200 TPD Solvent Extraction Plant and the 100 TPD Oil Physical Refining Plant at KINFRA Small Industries Park, Koratty, Trichur District is progressing as planned. The Solvent Extraction Plant will be commissioned by 1st November, 2005 and the Physical Refining Plant will be commissioned by 1st April, 2006. Your Company has recently acquired an existing cattle feed manufacturing unit situated at prime location in Mysore City by investing about Rs. 140 lakhs. This Unit will be functional after necessary overhaul in a couple of months.

### Community Service

Asian Tsunami created one of the greatest disasters of recent times. Your Company immediately responded by contributing Rs. 25 Lakhs to the Kerala Chief Ministers' Distress Relief Fund.

### Awards and Recognitions

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 2002-2003 and 2003-2004. We are really proud to inform you that your Company is receiving this award for the eight time continuously from the year 1996-97 onwards. The Company has won the SEA Award constituted by Solvent Extractors' Association of India for Highest Processor of Coconut Oil Cake for the year 2003-2004. This Award is being received by the Company for the past 14 years consecutively since the inception of the award.

### Directors

Sri P.D. Anto, Sri. T.C. Mathew and Sri. John Francis K. will retire by rotation 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) accounting policies have been selected and 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 financial year and of the profit of the Company for that year.
- (iii) proper and sufficient care has been taken 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 annual accounts have been prepared 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

Board has decided to study the scope and extent of the existing internal audit system and to take appropriate steps thereafter for ensuring a system commensurate with the size and nature of the business of the Company.

### 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 ICICI Bank Ltd., Registrars and Share Transfer Agents, Customers, Distributors and Suppliers for their continued support, cooperation and guidance. Your Directors also wish to place on record their appreciation to the employees at all levels for their dedicated service and contribution to the growth and prosperity of the Company.

By Order of the Board

Sd/-

**M.C. Paul**

Chairman and Managing Director

Irinjalakuda  
June 28, 2005