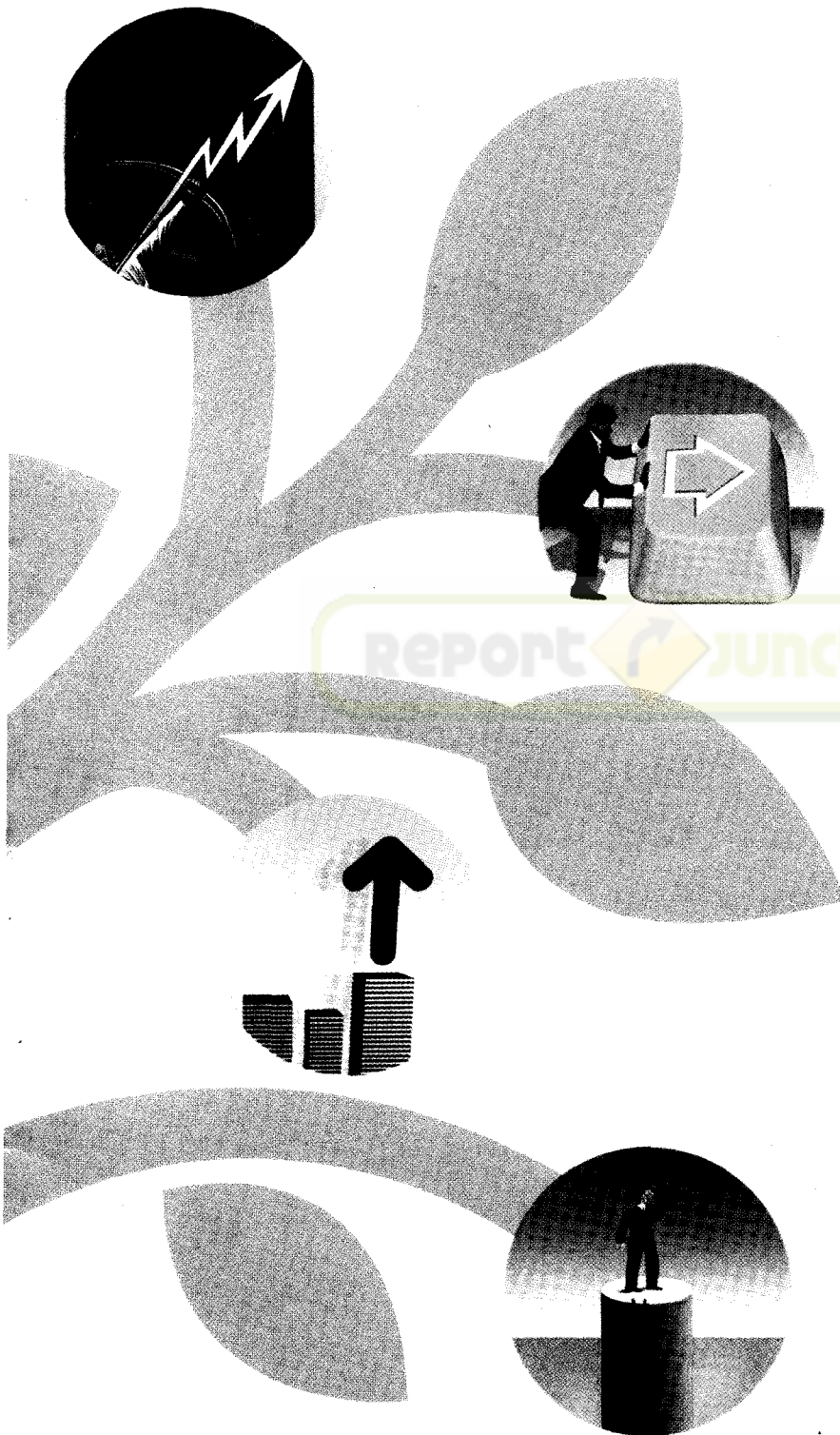


Annual Report 2005 - 2006



Fruitful endeavours

Report  junction.com

 **KSE**
LIMITED



HONOURED FOR DEDICATION

Sri. M.C. Paul, Chairman and Managing Director, KSE Limited receives the **Entrepreneur Award**, from Sri. R.L. Bhatia, Hon'ble Governor of Kerala, instituted by The College of Veterinary and Animal Sciences, Thrissur. The award is in recognition of the significant contributions made by KSE Limited in the Dairy development sector.



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	Registered Office Solvent Road, Irinjalakuda, Kerala - 680 121
	Auditors M/s. Varma & Varma Chartered Accountants Thrissur
Chief General Manager Anand Menon	Bankers ICICI BANK LIMITED
Secretary-Cum-Chief Finance Manager R. Sankaranarayanan	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 Thursday, 31st August, 2006 at 3 p.m. Venue Registered Office, Solvent Road, Irinjalakuda

Contents	Page
Financial Highlights	3
Notice	4
Directors' Report	7
Corporate Governance Report	10
Management Discussion and Analysis	15
Auditors' Report	17
Balance Sheet	20
Profit and Loss Account	21
Schedules	22
Cash Flow Statement	35
Summarised Balance Sheet	36
Summarised Profit and Loss Account	37



Financial Highlights

	2005-2006 Rs. in Lakhs	2004-2005 Rs. in Lakhs
Sales and Other Income	24076.42	21301.58
Gross Profit (Profit before depreciation and interest)	1201.73	1342.14
Net Profit after Tax	591.23	675.58
Shareholders' Equity (Net Worth)	2670.67	2535.54
Capital Employed	6080.23	4223.59
Gross Fixed Assets	5097.36	4104.11
	Rs.	Rs.
Shareholders' Equity per Share	83.46	79.24
Earnings per share of Rs. 10 each	18.48	21.11
Dividend Rate	125 %	125 %



Regd. Office : Solvent Road, Irinjalakuda - 680121

NOTICE OF THE MEETING

Notice is hereby given that the 42nd Annual General Meeting of KSE Limited, Irinjalakuda will be held at the Registered Office of the Company on Thursday, the 31st August, 2006 at 3.00 P.M. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006, 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.K. Varghese, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri. A.P. George, 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, 2006 on a remuneration of Rs. 26,000 (Rupees Twenty Six Thousand only) per month in the scale of Rs. 26,000-2,000-30,000 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 Thalayuthu 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 within 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 Whole-time 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 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, 2006 and payment of a sum of Rs. 9,000 (Rupees Nine Thousand 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."

By Order of the Board
For KSE Limited

Sd/-

R.Sankaranarayanan
Secretary-cum-Chief Finance Manager

Irinjalakuda
June 29, 2006

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 17th August, 2006 to 31st August, 2006 (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 31.08.2006. 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 16.08.2006.
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, 1999. 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, 1999 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 reappointed at this meeting:

- (a) Mr. P.K. Varghese, aged 60 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.
- (b) Mr. A.P. George, B.A., B.L., aged 71 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.
- (c) Mr. K.P. John, M.A. L.L.B. aged 79 hails from a respectable business family of Irinjalakuda engaged primarily in oil mill industry. He is acting as the Chairman of the Audit Committee of the Company with effect from 28.09.2002. 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, 2006. 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, 2006 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 1.11.2003. His term of appointment as Director and Legal Advisor of the Company expires on 31st October, 2006. 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, 2006 on a monthly professional fee of Rs. 9,000 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.



DIRECTORS' REPORT

Your Directors have pleasure in presenting their 42nd Annual Report together with the audited accounts for the financial year ended 31st March, 2006.

Financial Highlights

	For the year ended 31.3.2006 (Rs. in lakhs)	For the year ended 31.3.2005 (Rs. in lakhs)
Profit before depreciation	1044.95	1242.30
Depreciation	156.95	156.58
Taxation	296.77	410.14
Profit after Tax	591.23	675.58
Surplus brought forward	85.11	65.62
Transfer to General Reserve	150.00	200.00
Dividend	400.00	400.00
Corporate Dividend Tax	56.10	56.10

Dividend

Considering the good 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, 2006, which, if approved at the ensuing Annual General Meeting, will be paid to those members whose names appear in the Register of Members of the Company as on 31.08.2006. 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 16.08.2006.

Operations

The turnover of the Company improved by 13 % from Rs. 213.10 crores in the immediate previous year to Rs.240.60 crores for the financial year 2005-06. The sales volume of cattle feed also had an increase of 15 % over that of last year to achieve a record volume of 2,63,000 tonnes (previous year 2,28,000). The ingredients for cattle feed were available at reasonable and steady prices, and your Company could reasonably maintain its performance. We out sourced a part of our production of cattle feed, which had helped us to curtail the overhead costs considerably. During the current year despite prediction for a weak monsoon, we are getting good rain at present and the same is hopefully expected to continue, which has triggered our hopes for a good crop for oil seeds and grains. This in turn will help to keep the prices of cattle feed ingredients at reasonable levels.

The quantity of oil cake processed during the year improved by 17.50 %. Good quality coconut oil cake was available locally at reasonable price and our dependence on the imported cake was also reduced considerably. As a result the cake processing division bettered its performance compared to previous year. During the year 2006-07 sufficient quantities of good quality local coconut oil cake is likely to be available which may help us to sustain, if not improve, the performance of that Division.

The Dairy Division has reduced its loss considerably by stringent cost control measures, and it is noteworthy that the Division has not incurred cash loss for the reporting year. We are expecting an upward correction in the milk prices shortly, which will help that Division to turn around fully during 2006-2007, provided all the other external factors remain the same. "Vesta" brand ice cream enjoys good market acceptance. The central excise duty on ice cream has been withdrawn in the Finance Act, 2006 which also will contribute considerably to improve the performance of Dairy Division. 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

Swaminathapuram Unit and Vedagiri Unit have also been accredited with ISO 9001:2000. The Irinjalakuda Unit has already been accredited with ISO 9001:2000. Both the Dairy Units at Konikkara and Thalayuthu have already been accredited with ISO 9001:2000, ISO 14001:1996 and HACCP registration.

Capital Expenditure

The 200 TPD Solvent Extraction Plant at KINFRA Small Industries Park, Koratty, Trichur District has been commissioned on 31.03.2006. The work on 100 TPD Physical Oil Refining Plant at the same premises is progressing well and is expected to be commissioned before 30th September, 2006. Additional godown facilities were added during the current year in Vedagiri Unit to improve the finished goods storage facility of that unit.

Awards and Recognitions

Considering the contribution to the livestock and dairy development sector, your Company has been bestowed with the Entrepreneur Award by the College of Veterinary and Animal Sciences, Mannuthy, Kerala. The Company has won the SEA Award constituted by Solvent Extractors' Association of India for Highest Processor of Coconut Oil Cake for the year 2004-2005. This Award is being received by the Company for the past 15 years consecutively since the inception of the award. It is also worthwhile to note that your Company is receiving the Best Productivity Performance Awards instituted by the National Productivity Council, New Delhi in the category of Animal Feed Processing Industry for eight years continuously upto 2003-04.

Directors

Sri P.K. Varghese, Sri A.P. George and Sri K.P. John will retire by rotation at the ensuing Annual General Meeting and being eligible, offer 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

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 would like to express their grateful appreciation for the assistance and co-operation received from Shareholders, Bankers, especially ICICI Bank Ltd., Registrars and Share Transfer Agents, Customers, Distributors and Suppliers. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the executives, staff and workers of the Company. Our consistent growth was made possible by their hard work, solidarity and support.

By Order of the Board

Sd/-

M.C. Paul

Chairman and Managing Director

Irinjalakuda
June 29, 2006