

46th
ANNUAL REPORT
2009 – 10

Silent Growth
Sound Results



A NEW BEGINNING



During the occasion of stone laying of proposed
Ice cream plant at Vedagiri, Kottayam.

Chairman and Managing Director
M.C. Paul

Executive Director
P.K. Varghese

Director and Legal Advisor
A.P. George

Directors
K.P. John
T.C. Mathew (upto 13.12.2009)
P.D. Anto
Dr. K.C. Vijayaraghavan
John Francis K.
T.R. Ragulal
Dr. Jose Paul Thaliyath
Joseph Xavier (from 29.01.2010)

Chief General Manager
Anand Menon

Company Secretary-Cum-General Manager (Finance)
R. Sankaranarayanan

Registered Office
**Solvent Road, Irinjalakuda,
Kerala - 680 121.**

Auditors
M/s. Varma & Varma,
(Firm No. 004532 S)
Chartered Accountants,
Thrissur.

Bankers
ICICI BANK LIMITED



Registrars and Share Transfer Agents
M/s. S.K.D.C. Consultants Limited,
Kanapathy Towers, 3rd Floor,
1391/A-1, Sathy Road,
Ganapathy,
Coimbatore - 641 006.

Annual General Meeting
On Thursday,
29th July, 2010 at 3.00 p.m.

Venue
Registered Office,
Solvent Road, Irinjalakuda.

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Financial Highlights

	2009-2010	2008-2009
	Rs. in Lakhs	Rs. in Lakhs
Sales and Other Income	37227.89	35103.39
Gross Profit (Profit before depreciation and interest)	1917.38	1035.95
Profit before Tax	1266.14	500.75
Net Profit after Tax	827.27	320.54
Shareholders' Equity (Net Worth)	3257.45	2803.33
Capital Employed	6419.57	5973.21
Gross Fixed Assets	6956.64	6450.64
	Rs.	Rs.
Shareholders' Equity per Share	101.80	87.60
Earnings per share of Rs. 10 each	25.85	10.02
Dividend Rate	100 %	50 %



Regd. Office : Solvent Road, Irinjalakuda - 680 121

NOTICE OF THE MEETING

Notice is hereby given that the 46th Annual General Meeting of KSE Limited, Irinjalakuda will be held at the Registered Office of the Company on Thursday, the 29th July, 2010 at 3.00 p.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2010, 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 Shri. John Francis K., who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. T.R. Ragulal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. Jose Paul Thaliyath, who retires by rotation and being eligible, offers himself for re-appointment.
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.

By Order of the Board
For KSE Limited

Sd/-

R.Sankaranarayanan

Company Secretary-cum-General Manager (Finance)

Irinjalakuda
May 29, 2010

Notes:

1. As there is no special business, Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is not annexed.
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 20th July 2010 to 29th July 2010 (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 29th July, 2010. 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 19th July, 2010.
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, Registrar and Share Transfer Agents, Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006.
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 them shall vest in the event of their death by filing nomination, in the prescribed form, with the Company, as per Sections 109A and 109B of the Companies Act, 1956.
8. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will be transferred to Investor Education and Protection Fund pursuant to Section 205 A of the Companies Act, 1956. 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 2003 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. Members whose shareholding is in the electronic mode are requested to approach their respective Depository Participants for effecting change of address and updation of bank account details.
11. Members may note that transferees of shares of the Company in physical form shall furnish copy of PAN Card to the Company/RTAs for registration of such transfer of shares.
12. 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, are given hereunder:
 - (a) Shri John Francis K. aged 53 hails from a respectable business family of Irinjalakuda engaged primarily in oil mill industry. He has gained good experience in oil milling through 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 16 years. He is also acting as a member of the Shareholders'/Investors' Grievance Committee of the Company with effect from 28.09.2002.
 - (b) Sri. T.R. Ragulal, aged 48 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. He had acted as Chairman of the Kerala State Committee of Confederation of Indian Industries during 2004-2005. He has joined as a Director of the Company effective from 31.01.2002. He is also acting as a member of the Shareholders'/Investors' Grievance Committee of the Company with effect from 28.09.2002.
 - (c) Dr. Jose Paul Thaliyath, aged 59 is having post graduate degree in Anaesthesiology and is presently serving as Consultant Anaesthesiologist in a leading private hospital. He hails from a respectable business family of Irinjalakuda reputed for their expertise in oil milling and cashew processing and he is having immense knowledge in those industries. He has joined as a Director of the Company effective from 01.09.2007. He is acting as member of Audit Committee of the Company with effect from 29.12.2009. He is further acting as member of Remuneration Committee of the Company with effect from 1.9.2007. He had also acted as member of the Shareholders'/Investors' Grievance Committee of the Company from 28.08.2008 to 29.12.2009.

DIRECTORS' REPORT

Your Directors have pleasure in presenting their 46th Annual Report together with the audited accounts for the financial year ended 31st March 2010.

Financial Highlights

(Rs. in lakhs)

	For the year ended 31.03.2010	For the year ended 31.03.2009
Profit before depreciation	1650.45	759.77
Depreciation	384.31	259.03
Taxation including deferred tax	438.87	180.20
Profit after tax	827.27	320.54
Surplus brought forward	204.24	102.99
Transfer to General Reserve	411.90	32.10
Dividend	320.00	160.00
Corporate Dividend Tax	53.15	27.19

Dividend

Considering the profits for the current year, your Directors recommend a dividend of 100 % (Rs. 10.00 per share of Rs.10 each) for the year ended 31st March, 2010 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 29.07.2010. 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 19.07.2010.

Operations

The turnover of the Company improved from Rs. 350 crores to Rs. 371 crores during the year ended 31st March, 2010, thus registering an increase of 6 % over that of previous year. The improvement in turnover is mainly due to the increase in the selling price of cattle feed and due to substitution of higher quality feed in place of low end products. Quantitywise the sale of cattle feed maintained at the same levels as that of previous year. The volume of cake processing also was maintained at the same levels that of previous year. The volume of ice cream sales enhanced from 791 kl to 890 kl recording a growth of 12.50 %. In respect of cattle feed, despite the decline in the cattle population in Kerala, due to uneconomical dairy farming operations and high rate of decease in animals, we could maintain the same level of volume of sales as that of previous year. The Company could present an outstanding result compared to that of previous year because of the excellent performance in the cake processing division, which was in the previous year in the negative. The profits after tax improved from Rs.320.54 lakhs in year 2008-09 to Rs. 827.27 lakhs in the year under Report recording an increase of 158.09 % over that of previous year.

We had reported last year that the Cattle Feed and Solvent industries are passing through very challenging and difficult period for the past few years. In spite of frequent increase in the ingredient prices and other overhead costs, mainly the labour cost, your Company could maintain the sales volume and generate reasonable profits through continuous improvement of the operational efficiencies and by passing on these increase in costs to customers in bearable doses. The average cost of cattle feed ingredients almost doubled over the last four years registering an increase by Rs. 3870 per tonne. It is likely that the cost of the cattle feed ingredients will rule at these high levels in the next year also. By optimising the feed formulation and adjusting suitably the selling price in tune with the ingredient prices, we expect to better our performance in the coming year also.

The Company could marginally improve the quantity of oil cake processed during the financial year 2009-10 in the Oil Cake Processing Division. In the year 2008-09 the coconut oil cake price was totally imbalanced compared to the price of coconut oil. Thereby that division had incurred considerable loss during the year 2008-09. During the year under report the coconut oil cake price was in tune with the coconut oil price and the cake processing division could generate reasonable profits.

Dairy Division has started generating profits as a result of revamping of milk operations and concentrating more on ice cream. 1000 lpd production capacity of ice cream added in Thalayathu Unit has started giving results. Another ice cream production unit in Vedagiri is being under erection and will start operations by August, 2010. Your Directors envisage more production units nearer to the identified potential markets in future.

The negotiation with a reputable company, engaged in property development, for sale of Mysore property which was going on for nearly two years was terminated at the final stages due to their inability to continue with the deal as a result of recession in their industry. Efforts to locate another prospective buyer is going on. In the opinion of the Board, there is no urgency for sale of the said property and the value thereto will only appreciate in future.

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 500 tpd cattle feed plant in Irinjalakuda with all critical equipments thereof being imported from internationally renowned machinery manufacturers has been commissioned on 14.07.2009. Your Company has so far invested Rs. 13.37 crores for the said project. An ice cream production unit is under construction in Vedagiri adjacent to our existing cattle feed plant with an estimated capital outlay of Rs. 80 lakhs.

Awards and Recognitions

The Company has won the SEA Award constituted by Solvent Extractors' Association of India for Highest Processor of Coconut Oil Cake for the year 2008-09. This Award is being received by the Company for the past 19 years consecutively since the inception of the award. Your Company has also won the Best Productivity Performance Awards instituted by the National Productivity Council, New Delhi in the category of Animal Feed Processing Industry continuously for ten years beginning with 1996-97.

Condolence

We, the Members of the Board, wish to place on record our profound grief and deep sense of sorrow at the sad demise of Shri T.C. Mathew on 13th December, 2009, who was a Director of the company from 29.12.1970 and a member of the Audit Committee from the constitution of the same on 28.09.2002 till his death.

We also record our appreciation on the exemplary and selfless service rendered by him for the growth and development of the Company, since he joined as a Director of the Company.

Directors

Sri. John Francis K., Sri. T.R. Ragulal and Dr. Jose Paul Thaliyath will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Consequent to the death of Shri T.C. Mathew, the Board, in its meeting held on 29st January, 2010, has appointed Sri. Joseph Xavier as a Director of the Company in the casual vacancy arising out of the death of Shri T.C. Mathew pursuant to Section 262 of the Companies Act, 1956, and Article 110 of the Articles of Association of the Company, to hold office till the date Late Sri. T.C. Mathew otherwise would have hold office.

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 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, Management Discussion and Analysis Report and Certificate from Auditors on Corporate Governance have been furnished separately and form part of this report.

Auditors

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

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 wish to place on record their sincere appreciation for the assistance and co-operation received from Shareholders, Bankers, especially ICICI Bank, Registrars and Share Transfer Agents, Customers, Distributors and Suppliers. Board also acknowledge the valuable committed services of the executives, staff and workers of the Company.

By Order of the Board

Sd/-

M.C. Paul

Chairman and Managing Director

Irinjalakuda
May 29, 2010

Annexure A to the Directors' Report

Additional information as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A) Conservation of Energy

Every effort has been taken to utilise the energy most efficiently and judiciously using the captive generation capacity of the Company.

The total energy consumption and energy consumption per unit as per Form A in respect of Dairy Division is given below:

FORM A

Form for disclosure of particulars with respect to conservation of energy

	KONIKKARA UNIT				THALAYUTHU UNIT			
	Milk		Ice Cream		Milk		Ice Cream	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
A. Power and Fuel consumption								
Electricity								
(a) Purchased								
Unit (Kwh)	4,74,406	4,24,542	2,69,560	2,50,440	1,42,413	1,11,422	82,708	78,756
Total Amount (Rs.)	18,84,022	20,57,382	10,70,511	12,13,663	7,18,052	5,91,754	4,16,848	4,18,267
Rate/unit (Rs./Kwh)	3.97	4.85	3.97	4.85	5.04	5.31	5.04	5.31
(b) Own Generation- Diesel Genset								
Unit (Kwh)	41,344	33,226	23,492	19,598	16,541	20,216	9,607	14,288
Unit (Kwh) / Litre of Diesel	2.63	2.67	2.63	2.67	2.99	3.31	2.99	3.31
Cost/Unit (Rs./Kwh)	14.78	12.65	14.78	12.65	12.81	10.07	12.81	10.07
B. Consumption per Unit of Production								
Electricity								
(a) Production / Processing (KL)	5138	4,336	742	687	3221	2,672	145	109
Consumption per KL (Kwh)	100.38	105.57	394.95	393.07	49.35	49.27	636.66	853.61

B) Technology Absorption

During the year under review there was no major technology absorption undertaken by the Company.

C) Foreign Exchange Earnings and Outgo

	2009-2010 Rs. in lakhs	2008-2009 Rs. in lakhs
Foreign Exchange Earnings	0.45	Nil
Foreign Exchange Outgo	1825.55	1931.55