

G r e a t e r S u c c e s s , G r e e n e r F u t u r e



Chairman and Managing Director
M.C. Paul

Executive Director
P.K. Varghese

Director and Legal Advisor
A.P. George

Directors
K.P. John
P.D. Anto
Dr. K.C. Vijayaraghavan
John Francis K.
T.R. Ragulal
Dr. Jose Paul Thaliyath
Joseph Xavier

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,
28th July, 2011 at 3.00 p.m.

Venue
Registered Office,
Solvent Road, Irinjalakuda.

Contents

Page

Financial Highlights	3
Notice of Annual General Meeting	4
Directors' Report	8
Corporate Governance Report	11
Management Discussion and Analysis	17
Auditors' Report	20
Balance Sheet	23
Profit and Loss Account	24
Schedules	25
Cash Flow Statement	40
Summarised Balance Sheet	41
Summarised Profit and Loss Account	42

Financial Highlights

	2010-2011	2009-2010
	₹ in Lakhs	₹ in Lakhs
Sales and Other Income	45436.07	37227.89
Gross Profit (Profit before depreciation and interest)	1359.80	1917.38
Profit before Tax	667.31	1266.14
Net Profit after Tax	449.81	827.27
Shareholders' Equity (Net Worth)	3335.34	3257.45
Capital Employed	6065.52	6419.57
Gross Fixed Assets	7220.58	6956.64
	₹	₹
Shareholders' Equity per Share	104.23	101.80
Earnings per share of ₹ 10 each	14.06	25.85
Dividend Rate	100%	100%



Regd. Office : Solvent Road, Irinjalakuda - 680 121

NOTICE OF THE MEETING

Notice is hereby given that the 47th Annual General Meeting of KSE Limited, Irinjalakuda will be held at the Registered Office of the Company on Thursday, the 28th July, 2011 at 3.00 p.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2011, 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. A.P. George, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. P.D. Anto, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. K.C. Vijayaraghavan, 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.

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 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company approves the terms of appointment and remuneration of Shri M.C. Paul as Managing Director of the Company for a further term of three years with effect from 23rd October, 2011 on a remuneration of ₹ 1,05,000 (Rupees One Lakh and Five Thousand Only) per month in the scale of ₹ 1,05,000 - 5,000 - 1,15,000 along with bonus and perquisites as mentioned herein below within the overall limit under Schedule XIII of the Companies Act, 1956, as set out in the draft agreement, submitted to this meeting and for identification signed by the Chairman, 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 without increasing the remuneration mentioned therein and in such manner as may be agreed to between the Directors and Shri. 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 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 ₹ 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."

8. 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 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the enhancement of remuneration of Shri. P.K. Varghese, Executive Director of the Company to ₹ 65,000 (Rupees Sixty Five Thousand Only) per month for the period from 1st August, 2011 to 31st October, 2012 along with bonus and perquisites within the overall limit under Schedule XIII of the Companies Act, 1956, as mentioned below:
- 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.
 - 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.
 - Free use of Company's telephone at his residence.
 - Company's contribution towards Provident Fund to the extent the same is not taxable under the Income-tax Act, 1961.
 - 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.
 - Gratuity at the rate of half a month's salary for each year of completed service including past service with the Company.
 - Actual leave travel expenses excluding hotel charges once in a year to any place in India to himself and his family.
 - Fees to clubs subject to a maximum of two clubs provided that no life membership fee or admission fee is paid.
 - Personal accident insurance, the premium of which shall not exceed ₹ 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.”
9. To consider and if thought fit, to pass with or without modification the following Resolution as a Special Resolution:
- “RESOLVED that consent of the Company be and is hereby accorded in terms of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 to the enhancement of professional fee payable to Shri A.P. George, Director and Legal Advisor, for legal services rendered to the Company as an Advocate, to ₹ 14,000 (Rupees Fourteen Thousand Only) per month plus reimbursement of actual expenses incurred by him while rendering such legal services, for the period from 1st August, 2011 to 31st October, 2012.”
10. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:
- “RESOLVED that Shri. Joseph Xavier, who has been appointed by the Board of Directors of the Company in its meeting held on 29th January, 2010 in the casual vacancy arising out of the death of Shri. T.C. Mathew, 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 28th July, 2011, 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 ₹ 500 (Rupees Five Hundred only) as per the provisions of that Section.”

Irinjalakuda
May 30, 2011

By Order of the Board
For KSE Limited
Sd/-
R.Sankaranarayanan
Company Secretary-cum-General Manager (Finance)

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 19th July 2011 to 28th July 2011 (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 28th July, 2011. 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 18th July, 2011.
5. The members are requested to address all correspondences, including dividend matters and change in their addresses, to M/s. S.K.D.C. Consultants Limited, Registrars 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 2004 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. A.P. George, B.A., B.L., aged 75, 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. He is also having rich experience in oil milling through his family business.
 - (b) Shri. P.D. Anto, aged 61, 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 and that of Remuneration Committee with effect from 1st September, 2007.
 - (c) Dr. K.C. Vijayaraghavan, aged 54, 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, Thrissur in which he is also a partner.

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

Item 7

Shri 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 ten years from 1996-97 to 2005-06 for the best productivity performance in the category of animal feed processing industry.

The present term of appointment of Shri M.C. Paul as Managing Director of the Company expires on 22nd October, 2011. 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 Shri. 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 Board also recommends that in the event of loss or inadequacy of profits for the Company in any financial year the Managing Director shall be paid remuneration by way of salary and perquisites as specified in the resolution. The draft agreement to be entered into with Shri. M.C. Paul for appointment as Managing Director is available for inspection of members at the Registered Office on all working days between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.

Shri. M.C. 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

Shri. P.K. Varghese was reappointed as Executive Director for a period of three years from 1st November, 2009 on a remuneration of ₹ 45,000 per month in the Scale of ₹ 45,000-2,500-50,000 along with perquisites which was approved by the shareholders at the Annual General Meeting held on 27th August, 2009. Considering the general increase in remuneration across the Industry, the Board of Directors of the Company at its meeting held on 30th May, 2011 recommends to enhance the remuneration payable to Shri. P.K. Varghese as set forth in the above resolution for the remaining period of his appointment.

Shri P.K. Varghese 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, 2012. The Board accordingly recommends for the enhancement of remuneration of Shri. P.K. Varghese as Executive Director of the Company for the remaining period of his appointment 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.

Shri. 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 9

Shri A.P. George was appointed as Director and Legal Advisor of the Company for a period of three years from 1.11.2009 on a professional fee of ₹ 11,000 per month towards the professional services rendered by him to the Company as an Advocate. Since the volume of work has increased considerably, the Board of Directors at its meeting held on 30th May, 2011 recommends to enhance the professional fee payable to him to ₹ 14,000 per month plus reimbursement of actual expenses incurred by him while rendering such legal services, for the remaining period of his appointment with effect from 1st August, 2011.

Shri. 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 10

In order to fill the vacancy in the Board of the Company caused by the death of Shri. T.C. Mathew, a director liable to retire by rotation, the Board appointed Shri Joseph Xavier on 29th January, 2010, pursuant to Article 108 (2) of the Articles of Association of the Company, under Section 262 of the Companies Act, 1956. Shri Joseph Xavier holds office only up to the date up to which Shri T.C. Mathew, 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 ₹ 500 under the provisions of Section 257 of the Companies Act, 1956.

Shri. Joseph Xavier, aged 46 hails from a business family engaged in oil milling, construction and plantations. He is a Post Graduate in Economics and has experience in trading and manufacturing for over 20 years. He is also a member of the Shareholders' / Investors' Grievance Committee of the Company with effect from 29th July, 2010.

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 Shri Joseph Xavier, none of the other directors is interested in the resolution.

DIRECTORS' REPORT

Your Directors have pleasure in presenting their 47th Annual Report together with the audited accounts for the financial year ended 31st March 2011.

Financial Highlights

(₹ in lakhs)

	For the year ended 31.03.2011	For the year ended 31.03.2010
Profit before depreciation	1123.15	1650.45
Depreciation	455.84	384.31
Taxation including deferred tax	217.50	438.87
Profit after tax	449.81	827.27
Surplus brought forward	246.46	204.24
Transfer to General Reserve	100.00	411.90
Dividend	320.00	320.00
Corporate Dividend Tax	51.91	53.15

Dividend

Considering the profits for the current year, your Directors recommend a dividend of 100% (₹ 10.00 per share of ₹ 10 each) for the year ended 31st March, 2011 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 28.07.2011. 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 18.07.2011.

Operations

The turnover of the Company improved from ₹ 371 crores to ₹ 454 crores during the year ended 31st March, 2011, thus registering an increase of 22 % over that of previous year. Though a portion thereof may be attributed to the increase in the selling price of cattle feed, there is considerable volumewise growth in sale of cattle feed. Cattle feed sales volume improved by 12% when it grew from 2.86 lakhs tonnes in the previous year to 3.20 lakhs tonnes in the current year under report. This is despite a loss of production in Vedagiri Unit for six months due to deliberate slowing down of production by a section of workers and consequent lock-out of the Unit. In the first three quarters of the year under report, we had incurred loss due to the abnormal increase in the price of ingredients for cattle feed unmatched with the upward revision in selling prices. However, we could make good the loss in the last quarter as the price of ingredients eased and consequently our margins improved. The mismatch in the prices for feed ingredients and finished products resulted in to a slide in the profits after tax, from ₹ 827.27 lakhs in year 2009-10 to ₹ 449.81 lakhs in the year under report.

The volume of oil cake processing also was maintained more or less at the same levels as that of previous year. This is mainly due to nonavailability of copra cake locally at reasonable price during the last quarter of the current year and also due to postponement of delivery schedule of copra cake imports. During the year under report, though there is a narrow fall of 2.65% in oil cake processing volume, the Oil Cake Processing Division presented a slight improvement in its profits. Your Company could present a reasonable bottom line with the help of Oil Cake Processing Division, where the profit was maintained at the same levels as that of previous year. The better realisation on coconut oil coupled with strategic imports helped the Oil Cake Processing Division to match previous year performance despite the sudden spurt in the price of copra cake.

The sales volume of ice cream is 861 kl compared to previous year figure of 890 kl. In the year 2009-10, we achieved a 12.50% growth in ice cream sales. During the year under report, we concentrated on consolidation of volume and better margins. The Dairy Division excelled its performance by improving the profits from that division by 43% compared to that of previous year.

Cattle Feed and Solvent industries are passing through a very challenging period. The average cost of cattle feed ingredients more than doubled over the last five years. We do not expect a significant fall in the cost of cattle feed ingredients in the immediate future, at the same time also not expecting a sudden spurt. 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 next year.

The availability of local copra cake is still experiencing short supply and high price. We have made arrangements to cover up the shortfall by import of copra cake from Philippines and Indonesia at comparatively economical price. The price of coconut oil had surpassed ₹ 100 a kg., which has almost doubled compared to the price a year before, and this is expected to rule for another five to six months. If the price of coconut oil rules at this level as expected, we could present good working results in the next year also.

We had commissioned another ice cream plant with 2000 lpd capacity at Vedagiri in March, 2011. Though there is stiff competition from other local brands, we are aiming to better the performance of Dairy Division with the additional capacities.

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 ice cream manufacturing Unit adjacent to our existing cattle feed plant at Vedagiri has been commissioned on 28.03.2011. The capital outlay of the new ice cream unit is ₹ 127 lakhs as on 31.03.2011 excluding the value of land already owned by the Company.

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 2009-10. This Award is being received by the Company for the past 20 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.

Directors

Shri. A.P. George, Shri P.D. Anto and Dr. K.C. Vijayaraghavan will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Shri. Joseph Xavier, appointed by the Board in its meeting held on 29th January, 2010 pursuant to Section 262 of the Companies Act, 1956 and Article 110 of the Articles of Association of the Company as a Director of the Company in the casual vacancy arising out of the death of Shri T.C. Mathew, vacates his office as Director of the Company at the ensuing Annual General Meeting by virtue of the provisions of the said Section. Your Company has received notice in writing under his hand signifying his candidature for the office of Director along with a deposit of ₹ 500 as per the provisions of Section 257 of the Companies Act, 1956.

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 30, 2011