49th ANNUAL REPORT 2012-2013

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Registered Office
Solvent Road, Irinjalakuda,
Kerala -680 121

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

Cost Auditors
M/s. A.R. Narayanan & Co.
Cost Accountants,
Ernakulam.

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 – 641006

Annual General Meeting
On Wednesday,
31st July, 2013 at 3.00 p.m.

Venue
Registered Office,
Solvent Road, Irinjalakuda.

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

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Financial Highlights

	2012-2013 ₹ in Lakhs	2011-2012 ₹ in Lakhs
Sales and other income	**69825.89**	54336.28
Gross Profit (Profit before Depreciation and Finance costs)	**1401.84**	2291.78
Profit before tax	**666.09**	1587.04
Net profit after tax	**465.30**	1044.93
Shareholders' Equity (Net worth)	**4069.50**	3971.18
Capital employed	**4958.21**	4898.67
Gross fixed assets	**8078.29**	7308.62
Shareholders' equity per share	**127.17**	124.10
Earnings per share of ₹ 10 each	**14.54**	32.65
Dividend rate	**100%**	110%

KSE LIMITED

Regd. Office : Solvent Road, Irinjalakuda - 680 121

NOTICE OF THE MEETING

Notice is hereby given that the 49th Annual General Meeting of KSE Limited, Irinjalakuda will be held at the Registered Office of the Company on Wednesday, the 31st July, 2013 at 3.00 p.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2013, Statement of Profit and Loss 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 Dr. Jose Paul Thaliyath, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Joseph Xavier, 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, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the enhancement of remuneration of Shri. M.C. Paul, Managing Director of the Company to ₹ 1,40,000 (Rupees One Lakh Forty Thousand Only) per month for the period from 1st August, 2013 to 22nd October, 2014 along with Bonus and perquisites as mentioned below:

   (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 ₹ 1000 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 ₹ 90,000 (Rupees Ninety Thousand Only) per month for the period from 1st August, 2013 to 31st October, 2014 and further to ₹ 93,000 (Rupees Ninety Three Thousand only) per month for the period from 1st November, 2014 to 31st October, 2015 along with Bonus and perquisites as mentioned below:

(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 ₹ 1000 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 ₹ 20,000 (Rupees Twenty Thousand Only) per month plus reimbursement of actual expenses incurred by him while rendering such legal services for the period from 1st August, 2013 to 31st October, 2015."

By Order of the Board

For KSE Limited

Sd/-

R.Sankaranarayanan

Company Secretary-cum-General Manager (Finance)

Irinjalakuda
May 29, 2013

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 24th July, 2013 to 31st July, 2013 (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 31st July, 2013. 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 23rd July, 2013.

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, 2006 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 holding shares 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 78, 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) Dr. Jose Paul Thaliyath, aged 62 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.

    (c) Shri. Joseph Xavier, aged 48 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.

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.

He was reappointed as Managing Director for a period of three years from 23rd October, 2011 on a remuneration of ₹ 1,05,000 per month in the Scale of ₹ 1,05,000-5,000-1,15,000 along with perquisites which was approved by the shareholders at the Annual General Meeting held on 28th July, 2011. The present term of appointment of Shri M.C. Paul as Managing Director of the Company expires on 22nd October, 2014. Considering the general increase in remuneration across the Industry, the Board of Directors of the Company at its meeting held on 29th May, 2013 recommends to enhance the remuneration payable to Shri M.C. Paul from 1st August, 2013, as set forth in the above resolution for the remaining period of his appointment.

The agreement dated 18.10.2011 entered with Shri. M.C. Paul on reappointing him as Managing Director will be suitably modified to this effect after passing the special 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.

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, aged 67, is a Director of the Company with effect from 29.12.1970 and was acting as Whole-time Director of the Company from 1.11.1994 to 31.08.2007. From 1st September, 2007 he is acting as Executive Director and he was reappointed as Executive Director for a period of three years from 1st November, 2012 on a remuneration of ₹ 70,000 per month in the Scale of ₹ 70,000-3,000-76,000 along with perquisites which was approved by the shareholders at the Annual General Meeting held on 31st July, 2012. Considering the general increase in remuneration across the Industry, the Board of Directors of the Company at its meeting held on 29th May, 2013 recommends to enhance the remuneration payable to Shri P.K. Varghese from 1st August, 2013, 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, 2015. 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 1.11.2012 on a fee of ₹ 16,000 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 of the Company at its meeting held on 29th May, 2013 recommends to enhance the professional fee payable to him to ₹ 20,000 per month plus reimbursement of actual expenses incurred by him while rendering such legal services for the remaining period of his appointment. His current term of appointment as Director and Legal Advisor of the Company expires on 31st October, 2015. The Board accordingly recommends that the professional fee of Shri. A.P. George as Director and Legal Advisor of the Company be enhanced to ₹ 20,000 per month with effect from 1st August, 2013.

The Central Government has already given their opinion in terms of Section 309 (1) of the Companies Act, 1956 that Shri. A.P. George possesses the requisite qualifications for payment of fee for professional services rendered as an advocate of the Company. Since Shri. 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 for the enhancement of professional fee payable to him.

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.

DIRECTORS' REPORT

Your Directors are pleased to present the 49th Annual Report and the audited accounts for the financial year ended 31st March 2013.

Financial Highlights

(₹ in lakhs)

	For the year ended 31.03.2013		For the year ended 31.03.2012	
Profit before Finance costs, Depreciation and amortisation expenses and Tax expenses		**1,401.84**		2,291.78
Less : Finance Costs	**313.65**		245.27	
Depreciation and amortisation expenses	**422.10**		459.47	
Tax expenses	**200.79**	**936.54**	542.11	1,246.85
Profit after tax for the current year		**465.30**		1,044.93
Opening balance of Surplus		**260.19**		224.36
		725.49		1,269.29
Appropriations:				
Transfer to General reserve	**100.00**		600.00	
Dividend	**320.00**		352.00	
Dividend distribution tax	**54.38**	**474.38**	57.10	1,009.10
Closing balance of Surplus		**251.11**		260.19

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, 2013 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 31.07.2013. 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 23.07.2013.

Operations

The turnover of the Company improved by 29 % from ₹ 542 crores to ₹ 697 crores during the year ended 31st March, 2013. Cattle feed sales volume improved by 9 % from 3.66 lakhs tonnes to 3.99 lakhs tonnes in the same period. Unprecedented increase in the price of raw materials for cattle feed had affected the performance of the Animal feed division. That division was under loss till the third quarter. In the last quarter, the ingredient prices stabilised and then the Division could cover up the loss incurred during the first three quarters and earn profit for the year under report. The Animal feed division generated a profit of ₹ 882.03 lakhs against ₹ 1445.52 lakhs in the previous year.

The volume of cake processing improved from 73,000 tonnes in the previous year to 77,000 tonnes in the year under report. However, due to the low price for coconut oil and high cost for copra cake, the performance of cake processing division was seriously affected. The cake processing division had reported a loss of ₹ 46.88 lakhs compared to a profit of ₹ 283.99 lakhs during the year 2011-12. In the Dairy division, the volume of sale of ice cream improved to 960 kl. against 865 kl. in the previous year, registering a growth of 11 %. The profit of Dairy division for the year 2012-13 is ₹ 163.96 lakhs, which was at ₹ 96.95 lakhs in the previous year. The over-all profit after tax is ₹ 465.30 lakhs in year 2012-13 compared to ₹ 1,044.93 lakhs in the previous year.

After the downward trend in the ingredient prices in the last quarter of year 2012-13, the prices are going up again. We do not expect further reduction in the cost of cattle feed ingredients in the immediate future. We have adjusted the selling prices of feed, to match the increase in ingredient prices. We firmly believe that the sales volume of cattle feed will further improve in the current financial year. We expect to better our performance in Animal feed division, by optimising the feed formulation and making suitable adjustments in the selling prices to match the ingredient prices.

At present we are getting sufficient quantity of local copra cake at reasonable price. If sufficient quantity of copra cake is available in the market at reasonable rates and fetches a better realisation for coconut oil in the current year, we can better the performance of Cake Processing Division.

We are taking all steps to improve the market for ice cream. We are appointing new dealers in untapped areas to improve the volume of sales and thereby utilise more of the unused production capacity. We expect to improve the volume of sale of ice cream and thereby better the margins of Dairy division in the current year.

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

For the future development and expansion of Irinjalakuda Unit, around 72 Ares of land adjacent to Irinjalakuda Unit has been purchased with a total capital outlay of ₹ 5.60 crores. In Palakkad Unit facilities for manufacture of cattle feed in pellet form has been set up by investing around ₹ 70 lakhs. We have entered into a third party arrangement for production of cattle feed in Trivandrum to cater the nearby markets and the production has started.

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 2011-12. This Award is being received by the Company for the past 22 years consecutively since the inception of the award.

Directors

Shri. A.P. George, Shri Jose Paul Thaliyath and Shri Joseph Xavier 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 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.

With the prior approval of Central Government, M/s. A. R. Narayanan & Co., Cost Accountants, Ernakulam have been appointed as Cost Auditors for the financial year 2012-13 and they will be submitting their Cost Audit Report with in the time limit stipulated.

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, 2013