



**KESAR ENTERPRISES LTD.**

# **KESAR ENTERPRISES LTD.**

(Incorporated under the Indian Companies Act VII of 1913)

<b>BOARD OF DIRECTORS</b>	:	H. R. KILACHAND ( <i>Chairman &amp; Managing Director</i> ) K. KANNAN A. S. RUIA K. D. SHETH MRS. S.VENKATARAMAN ( <i>Nominee of GICI</i> ) S. H. H. ZAIDI ( <i>Nominee of UTI</i> )
<b>SR.GENERAL MANAGER (LEGAL) &amp; COMPANY SECRETARY</b>	:	D. J. SHAH
<b>BANKERS</b>	:	Bank of Baroda Uttar Pradesh Co-operative Bank Limited
<b>AUDITORS</b>	:	M/s. Chandabhoy & Jassoobhoy Chartered Accountants
<b>SUGAR FACTORY AND DISTILLERY</b>	:	Baheri Dist. Bareilly, U.P.
<b>STORAGE TERMINALS I &amp; II</b>	:	Kandla (Gujarat)
<b>REGISTERED OFFICE</b>	:	Oriental House 7, Jamshedji Tata Road Churchgate Mumbai - 400 020
<b>SUBSIDIARY</b>	:	AMBER DISTILLERIES LIMITED
<b>REGISTRAR &amp; TRANSFER AGENTS</b>	:	SHAREX DYNAMIC (INDIA) PVT. LTD (Formerly known as SHAREX (INDIA) PVT. LTD.) 17/B, Dena Bank Building 2 <sup>nd</sup> Floor, Horniman Circle, fort Mumbai - 400 001
<b>AUDIT COMMITTEE MEMBERS</b>	:	K. D. SHETH ( <i>Chairman of the Committee</i> ) A. S. RUIA MRS. S. VENKATARAMAN



# **KESAR ENTERPRISES LTD.**

## **NOTICE**

**NOTICE** is hereby given that the **70th** Annual General Meeting of the Members of **KESAR ENTERPRISES LTD.** will be held on **Thursday, the 31st March 2005 at 3:30 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001** to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 30<sup>th</sup> June 2004 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors' and Auditors thereon.
2. To appoint a Director in place of Shri A. S. Ruia, who retires by rotation but being eligible offers himself for reappointment.
3. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

The Company has received a notice in writing from M/s Chandabhoy & Jassoobhoy informing that they do not wish to be reappointed as Auditors of the Company. The Company therefore proposes to appoint M/s N. N. Jambusaria & Co., Chartered Accountants, Mumbai, as Auditors of the Company from whom the Company has received a certificate to the effect that the appointment, if made, will be in accordance with the limits specified in Section 224(1B).

By Order of the Board of Directors

### **Registered Office:**

Oriental House  
7, Jamshedji Tata Road  
Churchgate  
Mumbai 400 020

**D J SHAH**

Sr. General Manager (Legal)  
& Company Secretary

1st March 2005

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### **Notes:**

- a) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
- b) The Register of Members and Share Transfer Books of the Company will remain closed from **Tuesday the 29th March 2005 to Thursday, the 31st March 2005**. The shareholders are requested to inform of change in address, if any, at the earliest.
- c) The Unclaimed Dividends upto the financial year ended **31st March 1995** of the Company, have been transferred to the General Revenue Account of the Central Government pursuant to sub-section (5) of Section 205A of the Companies Act, 1956. The concerned members may therefore submit their claims in the prescribed manner / form to the Registrar of Companies, Hakoba Compound, Dattaram Lad Marg, Kalachowki, Mumbai 400033.
- d) The Members may lodge their shares for transfer / transmission with the office of **M/s. SHAREX DYNAMIC (INDIA) PVT. LTD.** (formerly known as M/s. Sharex (India) Pvt. Ltd.), the Registrar and Share Transfer Agents, at 17/B Dena Bank Building, 2nd floor, Horniman Circle, Fort, Mumbai 400 001 or at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai 400 072 or with the Company.
- e) Reappointment of Director retiring by rotation:  
  
Shri A. S. Ruia is on the Board as an Independent Director since 25.3.1985. He is an Industrialist and is on the Board of various other companies. He is having a vast experience in Sugar & Distillery industries.
- f) Appointment of Auditors :

M/s. Chandabhoy & Jassoobhoy, the retiring Auditors do not wish to be reappointed. Therefore, the Company proposes to appoint M/s. N. N. Jambusaria & Co., Chartered Accountants, Mumbai, as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

# KESAR ENTERPRISES LTD.

## Directors' Report

To  
The Shareholders  
Kesar Enterprises Ltd.

Dear Members,

Your Directors present to you the 70th Annual Report and Audited Statement of Accounts for the year ended 30th June 2004.

### FINANCIAL RESULTS:

		(Rs. in Lacs)
	2003-2004	2002-2003
Profit before interest, depreciation & taxation and extraordinary item .. .. .	1,414.83	1,179.02
<b>Less:</b> Interest. . . . .	757.17	685.50
Profit before Depreciation (Cash Profit) .. .. .	657.66	493.52
<b>Less:</b> Depreciation .. .. .	500.43	444.53
<b>Operational Net Profit before tax &amp; extraordinary item .. .. .</b>	<b>157.23</b>	<b>48.99</b>
<b>Less:</b> Extraordinary item - Loss on Sale of Investments in former Subsidiary Company Kesar Marble & Granite Limited (KMGL).	—	(1,536.61)
Profit / (Loss) before Tax .. .. .	157.23	(1,487.62)
<b>Less:</b> Provision for Taxation		
(i) Income Tax – Current .. .. .	13.51	—
(ii) Income Tax – Deferred .. .. .	14.42	(120.43)
(iii) Wealth Tax .. .. .	0.81	0.61
Profit / (Loss) after tax .. .. .	128.49	(1,367.80)
<b>Add /(Less):</b>		
Balance brought forward from previous year .. .. .	—	164.03
Prior period adjustments .. .. .	(53.70)	24.04
Transfer from General Reserve .. .. .	—	1,179.73
Balance carried forward to Balance Sheet .. .. .	74.79	—

From the above it will be observed that the Profit before interest, depreciation and tax and extraordinary item for the year ended 30th June 2004, has been Rs. 1,414.83 Lac as against Rs.1,179.02 Lac in the previous year. The Operational Net Profit has been Rs. 157.23 Lac during the year as against Rs. 48.99 Lac in the previous year. There is a net profit after tax of Rs. 128.49 lac during the year as against loss of Rs. 1367.80 lacs in the previous year.

### DIVIDEND

The Board has been advised that the Company does not have adequate Profits to declare a dividend for the year 2003-2004 under the provisions of section 205 of the Companies Act, 1956. Hence, the Directors, though very keen, regret their inability to recommend any dividend for the year 2003-2004.

### WORKING OF THE DIVISIONS

#### Sugar Division

The Crushing Season 2003-2004 started on 12.11.2003, 15 days earlier than the last season and ended on 10.4.2004 as against 4.6.2003, 55 days earlier than the last season. During the season, the plant crushed 80.86 lac quintals of sugar cane in 150 days as against 93.80 lac quintals crushed in 189 days in the previous season. Successful commissioning of

## Annual Report 2003-2004

various capital items such as 40-ton boiler, 3 MW turbine, GRPF 100-ton pan and centrifugal machine, resulted into increase in the crushing capacity of the factory to 6500 TCD. Overall crushing would have been much higher had it not been for the cane shortage in April 2004 and a relatively shorter season due to lower cane yields in our area. The yield of sugar cane has been affected due to pith formation in cane. This has been due to almost nil rainfall in winter as a result of which the cane weight was lower by 20-25%. This had affected the total quantum of cane supply to our factory, thereby resulting in a shorter season of only 150 days. This phenomena was common in most of U.P. The sugar recovery was marginally lower at 9.88% as against 10% in the previous season. The production of sugar was at 7.99 lac quintals as against 9.39 lac quintals in the previous season.

On 30.12.2003, the Central Government raised Statutory Minimum Price (SMP) of sugar cane by Rs.3.50 per quintal over the last year's one time price to Rs.73 per quintal for the season 2003-2004 based on a recovery of 8.5%. Accordingly, the cane price for the Company for the season 2003-2004 was fixed as under.

(Rs. Per Qtl)

	SMP for the Season 2003-2004		SMP for the Season 2002-2003	
	At Gate	At Centre	At Gate	At Centre
Ordinary Varieties	87.45	81.70	81.80	76.05
Early Varieties	92.45	86.70	86.80	81.05

In April 2004, the Cane Commissioner, U.P. issued a Recovery Certificate for recovery of sugar cane price payment as per Statutory Minimum Price (SMP), against which a Writ Petition was filed in the Allahabad High Court. The Hon'ble High Court passed an Order to pay the recovery amount in 3 equal installments by 31.7.2004. Accordingly, the Company had to pay the entire cane dues by 15.7.2004. A Special Leave Petition (SLP) was filed by U. P. Government against the Allahabad High Court judgment, which was rejected by the Supreme Court.

In May 2004, the Supreme Court passed an Order that State Governments have the power to fix sugar cane prices. Based on the said Order, the U P Government issued notification for payment of differential cane price for the years 1996-97, 2002-2003 and 2003-2004. However, the U. P. Government issued Recovery Certificate only in respect of the years 1996-97 and 2003-2004. Accordingly, the Company had to pay Rs.157.71 lac for the year 1996-97 and Rs.353.79 lac for the year 2003-2004, after the close of the financial year 2003-2004, towards the said differential price whereas no demand Recovery Certificate is issued for the year 2002-2003 till date and hence the Company has not yet paid any amount for the said year. However, the Company has contested this liability through U.P. Sugar Mills Association and a Special Leave Petition is filed before the Supreme Court. For the crushing season 2003-2004, the U. P. Government directed the sugar mills to pay Rs.95 per quintal for general variety and Rs.100 per quintal for early variety of sugar cane to farmers.

The Levy sugar price for the season 2003-2004 was announced by the Government at Rs.1,330.77 per quintal as against Rs.1,293.04 per quintal for the previous season.

Molasses produced during the season 2003-2004 was 3.72 lac quintals as against 4.35 lac quintals in the previous season.

### Distillery Division

During the year under review, the production of Rectified Spirit (RS) was lower at 115.52 lac bulk liters as against 129.48 lac bulk liters in the previous year. The production of Extra Neutral Alcohol (ENA) was lower at 23.09 lac liters as against 41.44 lac liters in the previous year due to high price & shortage of molasses and shut down of plant for modifications in the boiler.

### Liquor Division:

The quantity of Country Liquor supplied was lower at 69 lac liters as compared to 140 lac liters in the previous year. This was mainly due to unhealthy competition and low margins. The production and sales of IMFL were lower at 3.37 lac cases as against 5.07 lac cases in the previous year. This is due to withdrawal from the Andhra Pradesh Market as the production cost, during the year, was much higher than the sale price. The Company has contract bottling arrangements with various reputed parties, which ensures a higher capacity utilisation and reduces the operating overheads.

### Storage Division

The Storage Division at Kandla has done reasonably well during the year. During the year, the revenue generated was marginally higher and the operating profit was also higher as against that of the previous year.

# KESAR ENTERPRISES LTD.

## SUBSEQUENT FINANCIAL YEAR 2004-2005

### Sugar Division

The crushing for the season 2004-2005 has started on 4th November 2004 eight days earlier than the previous season. The Central Government has hiked SMP of sugar cane by Rs.1.50 per quintal to Rs.74.50 per quintal for the season 2004-2005 based on a recovery of 8.5% taken for the whole season's average. The Levy Sugar price for the season 2004-2005 is announced by the Central Government at Rs. 1,330.77 per quintal.

### Distillery Division

As the sugar season 2003-2004 was short, a shortage of molasses was experienced by the Industry as a whole, which has resulted into an increase in the prices of molasses & reduction in the production of RS and ENA. In the current year 2004-2005, the production of RS and ENA is better but shortage of Molasses is expected overall.

### Liquor Division

The sale of Country Liquor is expected to be the same as per the previous year. IMFL sales should improve to around 6 lac cases as new markets have been opened up and our brands are well accepted in these markets. The contract bottling arrangements with various parties continue to do well. Arrangement for additional contract bottling of IMFL has also been made.

The overall performance of the Distillery & Liquor Divisions for the current year is likely to be the same as per the previous year.

### Storage Division

The Storage Division at Kandla continues to do well during the current financial year and with the revival of the industrial climate, the tankage occupancy will further improve.

## FINANCIAL INSTITUTIONS

The Company has paid the entire amounts due to all institutions viz: ICICI, IDBI, UTI and Sugar Development Fund towards full and final settlement of their all dues. The Company has made the said payments from the Loan of Rs. 25 crores sanctioned by Yes Bank Ltd., Mumbai. In view of the above, the charge / mortgage created on the assets of the Company in favour of ICICI, IDBI, UTI Stands released, which will now be charged / mortgaged (except assets of Distillery Division at Baheri) in favour of Yes Bank Ltd. The cases filed by IDBI / UTI / IFCI in the Debt Recovery Tribunal, Mumbai would be withdrawn by them.

## DEVELOPMENT OF LAND

The Company had entered into a Project Services Agreement with Mahindra Gesco Developers Ltd. (MGDL) [formerly known as 'Mahindra Realty Infrastructure Developers Limited' (MRIDL)] a wholly owned subsidiary of Mahindra & Mahindra Ltd. for developing its land at Goregaon, Mumbai and constructing for sale residential tenements. As MGDL and the Company could not resolve certain issues amicably, the same are referred to a sole Arbitrator, Retired Justice Shri M. L. Pendse. The Company has filed a reply to the Statement of Claim filed by MRIDL and has also filed a counter claim with the Arbitrator. Subsequently, the Company has also filed an Application with the Arbitrator for urgent hearing to consider starting of Development of Land at Goregaon by MRIDL or to allow the Company to develop the said land with other party and return the security deposit to MRIDL.

The Company has received substantial amount from the Developer of the land at Bareilly, U. P. against the total amount of Rs 365 lac receivable from them.

## DIRECTORS

Shri B. M. Kini ceased to be the Director upon withdrawal of his nomination by Unit Trust of India and in his place Shri S. H. H. Zaidi, retired General Manager of Union Bank of India, was nominated as Director with effect from 26.12.2003. The Board places on record the valuable services rendered and able guidance given by Shri B. M. Kini during the tenure of his office.

Shri A. S. Ruia retires by rotation and being eligible, offer himself for reappointment.

## DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act 2000, the Directors state as under:

- i) that in preparation of the annual accounts for the financial year ended on 30<sup>th</sup> June 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) that the Directors have selected such accounting policies 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 30<sup>th</sup> June 2004 and of the profit for that period;

## Annual Report 2003-2004

- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the Annual Accounts for the financial year ended on 30<sup>th</sup> June 2004 on a going concern basis.

### MANAGEMENT DISCUSSION & ANALYSIS REPORT AND CORPORATE GOVERNANCE REPORT

As per Clause 49 of the Listing Agreement, the Management Discussion & Analysis Report and the Corporate Governance Report are enclosed herewith.

### CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard 21 relating to Consolidated Financial Statements, your Directors have pleasure in attaching the said Consolidated Financial Statements, which form part of this Report and Accounts. These Statements have been prepared on the basis of audited financial statements received from the subsidiary company M/s. Amber Distilleries Ltd., as approved by its Board.

### INSURANCE

The Company has taken adequate insurance for all its properties.

### CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Particulars with respect to conservation of energy, technology absorption and foreign exchange earning and outgo pursuant to Section 217(1)(e) of the Companies Act, 1956 are given in the Appendix 'A' forming part of this Report.

### FIXED DEPOSITS

Fixed Deposits of Rs.1,20,000/- due for repayment on or before 30th June 2004, were not claimed by 12 depositors as on that date.

### SUBSIDIARY COMPANY

The information including Annual Accounts, Directors' Report and Auditor's Report in respect of the subsidiary viz. Amber Distilleries Ltd. as on 31<sup>st</sup> March 2004 is annexed as required under Section 212 of the Companies Act, 1956.

### AUDITORS' REPORT

Referring to the remarks in the Auditors' Report, the Directors would like to refer to the Notes on Accounts Nos. 2(b), 5, 15, 16 and 20 which clarifies the Company's position, and are self-explanatory.

### AUDITORS

The Company has received a notice in writing from M/s. Chandabhoy & Jassoobhoy, the retiring Auditors of the Company informing that they do not wish to be reappointed as Auditors of the Company at the ensuing Annual General Meeting. The Company, therefore, proposes to appoint M/s. N. N. Jambusaria & Co., Chartered Accountants, Mumbai, as Auditors of the Company at the ensuing Annual General Meeting from whom the Company has received a certificate to the effect that the appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956. M/s. N. N. Jambusaria & Co. is a 20-year old firm. The firm has exposure in audit of banking, finance, manufacturing Companies, services sectors and corporate taxation. Shri Nihar N. Jambusaria, the senior most Partner of the firm was the Chairman of Western India Regional Council (WIRC) of the Institute of Chartered Accountants of India (ICAI) for the year 2004-05.

### EMPLOYEES

Relation with the employees remained cordial throughout the year. The Company has no employees who are covered under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

### ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation extended by the Banks, Financial Institutions and the U. P. Government, during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the employees of the Company for its success.

By Order of the Board of Directors

**H. R. KILACHAND**

Chairman & Managing Director

1st March 2005

# KESAR ENTERPRISES LTD.

## Appendix 'A' pursuant to Section 217(1)(e) of the Companies Act, 1956 Forming part of the Directors' Report FORM A

### FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

#### CONSERVATION OF ENERGY

1.	We have installed 1 Boiler having 40 TPH capacity and 32 kg / cm 2 pressure along-with a 3 MW TG set of 32 kg / cm 2 pressure by replacement of our 6 nos. old Boilers of 5 TPH each and 11 kg/ cm 2 pressure resulting the expected saving due to high efficiency with high pressure Boiler and low process steam consumption beside increase in crushing capacity.			
2.	We have installed 1 No condensor in replacement of old one resulting reduction in power consumption.			
A.	<u>Power and Fuel Consumption</u>		<b>2003-2004</b>	<b>2002-2003</b>
1.	Electricity			
a.	Purchased			
	Unit	Kwh	849583	475378
	Total Amount	Rs.	4524639	3047139
	Rate/Unit	Rs.	5.33	6.41
b.	Own Generation			
i)	Through Diesel Generator			
	Unit	Kwh	1847568	1996938
	Units Per Ltr. Of Diesel Oil	Kwh	3.28	3.31
	Rate / Unit	Rs.	6.13	5.94
ii)	Through Steam Turbine			
	Unit	Kwh	21353852	23519751
	Units Per M. T. of Steam	Kwh	44.18	51.02
	Rate / Unit	Rs.	3.93	3.07
2.	Coal			
	Quantity	M.T.	150	247
	Cost	Rs.	797540	1185837
	Average Rate	Rs.	531693	4795.14
3.	Other Fuel Bagasse (Own)			
	Quantity	M.T.	233286	287301
	Cost	Rs.	**	**
	Average Rate	Rs.	**	**
4.	Rice Husk			
	Quantity	M.T.	11083	12855
	Cost	Rs.	16164989	13154522
	Average Rate	Rs.	1458.54	1023.30
5.	Bagasse PITH (Purchased)			
	Quantity	M.T.	1255	18144
	Cost	Rs.	783223	5466479
	Average Rate	Rs.	624.08	301.28
6.	H. S. Diesel			
	Quantity	Ltr.	562551	602023
	Cost	Rs.	11323858	11870983
	Average Rate	Rs.	20.13	19.72
**	Not applicable as this is a By-product			
B.	<u>Consumption per unit of production</u>			
	Product (Sugar)			
	Electricity	Kwh	269.12	209.45
	Bagasse	M.T.	2.92	3.06
	Diesel Oil	Ltr.	4.09	3.10
	Product (Industrial Alcohol) (In 000' Ltrs.)			
	Electricity	Kwh	149.71	271.99
	Coal	Qtls.	0.01	0.19
	Bagasse (PITH)	M.T.	0.11	1.40
	Rice Husk	M.T.	0.96	0.99
	Diesel Oil	Ltr.	20.43	24.02

#### FORM B

### FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY, RESEARCH AND DEVELOPMENT

#### A. RESEARCH AND DEVELOPMENT

1. Tissue culture Techniques for the multiplication of high yielding cane varieties and to reduce the cost of production of plantlets.
2. Activities of Bio control of Sugar Cane insects in Biological Laboratory.
3. Development of continuous fermentation process to have effluent discharge and maximum recovery per ton of molasses with the suitable yeast strain.
4. Use of Biocompost in the production of agriculture crops namely Sugar Cane, Wheat and Paddy in the Tarai region of U.P.
5. Total Water Management in Sugar and Distillery units.

#### B. BENEFITS DERIVED

1. Energy consumption has reduced by implementing certain modification in sugar and Distillery manufacturing process and installation of high pressure turbine.
2. Results of other R&D activities are awaited

#### Expenditure of R & D

	<b>2003-2004</b>	<b>(Rs. In lacs)</b> 2002-2003
(a) Capital	1.19	2.94
(b) Recurring	19.81	17.93
(c) Total	21.00	20.87
(d) Total R&D expenditure as a percentage of turnover	0.09%	0.07%

Technology absorption, adaption & innovation :

The Company has not purchased /imported any technology hence not applicable.

#### Foreign Exchange Earnings and Outgo:

The information on foreign Exchange earnings and outgo is furnished in the Notes to the Accounts (Please refer to Note No. 28 Annexure1 item D, E and F).



## Annual Report 2003-2004

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### Overall Review

The Company has 4 Divisions viz. Sugar, Distillery, Liquor and Storage Division. Each Division is independently managed and within each Division, the units are treated as separate profit centre. The Company is also developing its land at Goregaon, Mumbai and at Bareilly, U.P.

The Financial statements have been prepared in accordance with the requirements of the Companies Act, 1956. The segment performance has been explained in detail in the Directors' Report.

#### Sugar Division:

The successful commissioning of various capital items such as 40-ton boiler, 3 MW turbine, GRPF and 100-ton pan and centrifugal, resulted into an increase in the crushing capacity of the factory to 6500 TCD, during the season 2003-2004.

#### Distillery Division:

Rectified Spirit (RS) and Extra Neutral Alcohol (ENA) are being manufactured by many distilleries in U.P. and therefore the demand for these products is less within U.P. Most of the quantities of ENA manufactured by the Distillery are being sold out of the state. Due to high export duty and transportation cost, U. P. based distilleries are unable to compete fairly for RS and ENA in other States.

#### Liquor Division:

In India, the liquor business is controlled by the State Governments and the Excise Policies of each State is declared by the State Excise Department annually. Due to various kinds of duties and levies imposed by the State Governments, it is economical and more viable to have bottling arrangements in respective State as far as possible. The Company has tie-up arrangements for manufacturing its own brands in many States. The Company also has tie-up arrangements to manufacture IMFL products of few reputed parties and this business can be further expanded.

The manufacturing licence for Country Liquor (CL) is generally granted to the distilleries only. In U.P. there are 20 manufacturers of CL. The Company controls around 6% share of the total market. Indian Made Foreign Liquor (IMFL) has a huge market in India. The Company is having a number of brands, out of which, a few of them are premium products. The Company has made its presence in many States in India and has already crossed half-a-million cases sales during last year.

#### Storage Division:

The Company has 29 storage tanks at Terminal No. 1 and 15 storage tanks at Terminal No. 2, both totalling an aggregate storage capacity of 90,000 KL, in Kandla. These tanks are given on hire for bulk liquid cargo chemicals like, Naptha, Kerosene, Crude Edible oil, Castor oil etc.

# KESAR ENTERPRISES LTD.

## CORPORATE GOVERNANCE REPORT

### 1. Company's philosophy on Code of Governance:

The Company's philosophy on Corporate Governance aims at attainment of the highest levels of transparency, accountability and equity in the functioning of the Company and in all interactions with employees, shareholders, creditors, depositors and customers. The Company believes that its systems and actions must be endeavoured for enhancing corporate performance and maximizing shareholder value in the long term.

### 2. Board of Directors:

The Board of Directors consists of the following Directors. The Composition and Category of Directors is as follows:

Name of Directors	Category
Shri H. R. Kilachand	Chairman & Managing Director
Shri K. Kannan	Non-Executive Independent Director
Shri A. S. Ruia	Non-Executive Independent Director
Shri K. D. Sheth	Non-Executive Independent Director
Shri B. M. Kini	Nominee Director – UTI (upto 26.12.2003)
Smt. S. Venkataraman	Nominee Director – GICI
Shri. S.H.H. Zaidi	Nominee Director – UTI (w.e.f.26.12.2003)

Attendance of each Director at the Board Meetings, the last Annual General Meeting and Number of other Directorship and Chairmanship / Membership of Committees of each Director in various companies:

Name of the Director	Attendance Particulars						No. of other directorships and committee member / chairmanship		
	Out of 8 Board Meetings	Out of 5 Audit Committee Meetings	1 Asset Committee Meeting	Out of 11 Share Transfer Committee Meetings	Sitting Fees paid (Rs.)	Last AGM	Other Directorships	Committee Member	Chairmanships
Shri H. R. Kilachand	8	5	-	11	-	Yes	10	-	5
Shri K. Kannan	7	-	-	-	11,000	Yes	4	5	1
Shri A. S. Ruia	5	4	1	7	35,000	No	5	2	-
Shri K. D. Sheth	8	5	-	11	42,000	Yes	1	-	-
Shri B. M. Kini	4	-	-	-	4,000	NA	-	-	-
Smt. S. Venkataraman	8	5	1	-	22,000	Yes	-	-	-
Shri. S.H.H. Zaidi	3	-	-	-	7,000	Yes	-	-	-

The Non-Executive Directors were paid Sitting Fees of Rs.1,21,000/-, for attending the Board Meetings and the Committee Meetings held during 1-7-2003 to 30-6-2004, as stated above.

### Number of Board Meetings held and the dates on which held:

In all 8 Board Meetings were held during the year, as against the minimum requirement of 4 meetings. The dates on which the meetings were held are 8th July 2003, 31st July 2003, 14th August 2003, 31st October 2003, 24th November 2003, 26th December 2003, 30th January 2004 and 23rd April 2004. The necessary information was made available to the Board. The maximum time gap between any two meetings was not more than three calendar months.

### 3. Audit Committee:

Pursuant to Section 292A of the Companies (Amendment) Act 2000, the existing Audit Committee was reconstituted by the Board on 23rd April 2004. The present Audit Committee comprises of three Directors as under:

Shri K. D. Sheth	Chairman of the Audit Committee Non-Executive Independent Director
Shri A. S. Ruia	Non-Executive Independent Director
Smt. S. Venkataraman	Nominee of GICI (w.e.f. 28.4.2003)