

KESAR ENTERPRISES LTD.

71st Annual Report 2004-05

KE KESAR ENTERPRISES LTD.

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KESAR ENTERPRISES LTD.

(Incorporated under the Indian Companies Act VII of 1913)

COMPANY INFORMATION

| | | |
|--|---|---|
| BOARD OF DIRECTORS | : | H. R. KILACHAND (<i>Chairman & Managing Director</i>) A. S. RUIA K. KANNAN K. D. SHETH SMT. S. VENKATARAMAN (<i>Nominee of GIC</i>) S. H. H. ZAIDI (<i>Nominee of UTI up to 10.3.2005</i>) SMT. M. H. KILACHAND (<i>w.e.f. 23.9.2005</i>) |
| SR. GENERAL MANAGER (LEGAL) & COMPANY SECRETARY | : | D. J. SHAH |
| BANKERS | : | Bank of Baroda Uttar Pradesh Co-operative Bank Limited |
| AUDITORS | : | M/s. N. N. Jambusaria & Co. Chartered Accountants |
| SUGAR FACTORY AND DISTILLERY | : | Baheri Dist. Bareilly, U.P. |
| STORAGE INSTALLATIONS | : | Kandla (Gujarat) |
| REGISTERED OFFICE | : | Oriental House 7, Jamshedji Tata Road Churchgate Mumbai - 400 020 |
| SUBSIDIARY | : | AMBER DISTILLERIES LIMITED |
| REGISTRAR & TRANSFER AGENTS | : | SHAREX DYNAMIC (INDIA) PVT. LTD 17/B, Dena Bank Building 2 nd Floor, Horniman Circle, Fort Mumbai - 400 001 |
| AUDIT COMMITTEE MEMBERS | : | K. D. SHETH (<i>Chairman of the Committee</i>) A. S. RUIA MRS. S. VENKATARAMAN |

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NOTICE

NOTICE is hereby given that the **71st** Annual General Meeting of the Members of **KESAR ENTERPRISES LTD.** will be held on **Wednesday, the 26th October 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 30th June 2005 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors' and Auditors thereon.
2. To consider dividend on 1% - Cumulative Redeemable Preference Shares for the years 2003-04 (proportionately) and 2004-05.
3. To declare final dividend on Ordinary (Equity) Shares.
4. To appoint a Director in place of Smt. S. Venkataraman, who retires by rotation but being eligible offers herself for reappointment.
5. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modification/s, the following resolution as an **ORDINARY RESOLUTION:**

To appoint a Director in place of Smt. M. H. Kilachand who is appointed as an Additional Director of the Company pursuant to Article 161 of the Articles of Association of the Company and whose term of office expires under Section 260 of the Companies Act, 1956, at this Annual General Meeting but who is eligible for appointment and in respect of whom the Company has received notices in writing from some members specifying their intention to move the following resolution as an Ordinary Resolution proposing the candidature of Smt. M. H. Kilachand for office of Director:

"RESOLVED THAT Smt. M. H. Kilachand be and is hereby appointed as Director of the Company."

7. To consider and, if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 including, any statutory amendment, modification or re-enactment thereof and subject to approval of the Central Government and other requisite approvals as may be necessary, approval of the Members of the Company be and is hereby accorded to increase the remuneration of Shri H. R. Kilachand, Chairman & Managing Director of the Company for the period from 1st July 2005 to 13th August 2007 on the terms and conditions in accordance with Schedule XIII to the Act, as set out below:

I. SALARY:

Rs. 1,50,000/- per month.

II. COMMISSION:

Commission at the rate of (1%) one percent of the net profits of the Company for each financial year or part thereof computed in the manner as laid down under Section 349 of the Companies Act, 1956 and subject to the overall ceiling laid down under Section 198 and 309 of the Companies Act, 1956. For the purpose of calculating commission for any part of any financial year the net profit of the Company should be calculated in the same proportion of net profit for the financial year as the number of days in the part of the year bear to those in the whole of the year.

III. PERQUISITES:

1. HOUSING:

- (a) In case of unfurnished accommodation, hired by the Company, such expenditure not exceeding 60% of the salary over and above 10% payable by the Managing Director.
- (b) In case the accommodation is owned by the Company, 10% of the salary of the Managing Director shall be deducted by the Company.
- (c) In case no accommodation is provided by the Company, the Managing Director shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above.

KESAR ENTERPRISES LTD.

2. The expenditure incurred by the Company on reimbursement of expenditure incurred on electricity, water and furnishings which shall be valued as per the Income-tax Rules, 1962.
3. Reimbursement of medical expenses incurred for the Managing Director and his family, namely his wife, dependent children and dependent parents.
4. Leave Travel Concession for the Managing Director and his family namely his wife, dependent children and dependent parents as per the Rules of the Company.
5. Club fees, which will not include admission/ life membership fees.
6. Personal Accident Insurance.
7. Free use of Company's car with driver and telephone at residence for the business of the Company. Charges for personal long distance calls on telephone and use of car for private purpose shall be borne by the Managing Director.

The Annual value of the above perquisites shall be restricted to an amount equal to the annual salary payable to the Managing Director. For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any applicable rules, perquisites shall be evaluated at actual cost. Provision of use of Company Car for official duties and telephone at residence (including payment of local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

8. Shri H. R. Kilachand shall be entitled to reimbursement of expenses actually and properly incurred by him for the business of the Company.
9. Shri H. R. Kilachand shall be further eligible to the following perquisites also which shall not be included in the computation of the ceiling limit on remuneration by way of salary, perquisites, allowances etc.
 - i. The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund. The same will not be included in the computation of the ceiling limit to the extent of the same either singly or put together are not taxable under the Income Tax Act.
 - ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
 - iii. Encashment of leave at the end of the tenure.

"RESOLVED FURTHER THAT the aforesaid remuneration shall nevertheless be paid and allowed to the Managing Director as the minimum remuneration, but not exceeding ceiling limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto from time to time, notwithstanding that in any financial year of the Company during the tenure of office of the Managing Director, the Company may have made no profits or its profits may be inadequate."

"RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 including, any statutory amendment, modification or re-enactment thereof and subject to approval of the Central Government and other requisite approvals as may be necessary, approval of the Members of the Company be and is hereby accorded for payment of commission to Shri H. R. Kilachand at the rate of (1%) one percent of the net profits of the Company for the financial year 2004-2005 computed in the manner as laid down under Section 349 of the Companies Act, 1956 and subject to the overall ceiling laid down under Section 198 and 309 of the Companies Act, 1956."

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of Clause 49 of the Listing Agreement, including its amendments, if any, approval of the Company be and is hereby accorded for payment of sitting fee of Rs.5,000/- for attending each meeting of the Board of Directors and the Committees thereof to Non-executive Directors of the Company."

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"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to pay such amount as sitting fees to the Non-executive Directors for attending the Meetings of the Board and Committees thereof, as it may in its discretion deem fit within the limits prescribed under the Companies Act, 1956 and Rules framed thereunder."

Registered Office:

Oriental House
7, Jamshedji Tata Road
Churchgate
Mumbai 400 020

23rd September 2005

By Order of the Board of Directors

D J SHAH

Sr. General Manager (Legal) &
Company Secretary

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. The instrument appointing a proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
- b) The Register of Members and Share Transfer Books of the Company will remain closed from **Thursday, the 20th October 2005 to Wednesday, the 26th October 2005**, both days inclusive. 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 subsection (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.** 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) The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 setting out the material facts is annexed hereto.
- f) All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays and Sundays between 11:00 a.m. and 1:00 p.m. up to the date of the ensuing Meeting.
- g) Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in order of the names will be entitled to vote.
- h) Members / Proxies should fill the Attendance Slip for attending the Meeting. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification for attendance at the Meeting.
- i) Reappointment / Appointment of Directors:
 1. Smt. S. Venkataraman will be retiring by rotation at the ensuing Annual General Meeting and is eligible for reappointment. She is representing General Insurance Corporation of India (GIC) the Non-promoter Shareholder. She is working as Assistant General Manager in GIC. She is not Director of any other Company.
 2. Smt. M. H. Kilachand is appointed as Additional Director on 23.9.2005. Under Section 260 of the Companies Act, 1956, she will hold office only up to the ensuing Annual General Meeting. Her appointment as Director is proposed at the ensuing Annual General Meeting. Smt. Kilachand is a graduate in B. A. in Psychology and Literature from Mumbai University and has about 7 to 8 years experience in general administration and running the business of the group companies as Director. Additionally, she has been involved in social activities connected with schools and hospital of the Company at Baheri in U.P. Smt. Kilachand is on the Board of Kesar Corporation Pvt. Ltd., Kilachand Devchand & Co. Pvt. Ltd., Indian Commercial Co. Pvt. Ltd., India Carat Pvt. Ltd., Duracell Investments & Finance Pvt. Ltd., Seel Investments Pvt. Ltd., Kilachand Devchand Commercial Pvt. Ltd. and Skyline Chemtrade Pvt. Ltd. She holds 2.89% of the total equity shares of the Company.



ANNEXURE TO THE NOTICE

Explanatory Statement as required under Section 173 of the Companies Act, 1956.

Item No. 6:

The present strength of the Board of Directors of the Company is five, which includes one Nominee of GIC representing Shareholders, one Director from Promoters and three Independent Directors. As there is only one Director representing the promoters / persons acting in concert and also to broad base the Board of the Company, the Directors have appointed Mrs. M. H. Kilachand as Additional Director on 23.9.2005 as per Article 161 of the Articles of Association of the Company who holds 2.89% of the total equity shares of the Company. Under Section 260 of the Companies Act, 1956, Mrs. M. H. Kilachand holds office only up to this Annual General Meeting.

As required by Section 257 of the said Act, notices have been received from some members signifying their intention to propose Mrs. M. H. Kilachand as Director.

Smt. Kilachand is a graduate in B. A. in Psychology and Literature from Mumbai University and has about 7 to 8 years experience in general administration and running the business of the group companies as Director. Additionally, she has been involved in social activities connected with schools and hospital of the Company at Baheri in U.P.

Smt. Kilachand is on the Board of Kesar Corporation Pvt. Ltd., Kilachand Devchand & Co. Pvt. Ltd., Indian Commercial Co. Pvt. Ltd., India Carat Pvt. Ltd., Duracell Investments & Finance Pvt. Ltd., Seel Investments Pvt. Ltd., Kilachand Devchand Commercial Pvt. Ltd. and Skyline Chemtrade Pvt. Ltd.

None of the Directors of the Company, except Shri H. R. Kilachand as husband of Smt. Kilachand and Smt. M. H. Kilachand, is in any way concerned or interested in the aforesaid resolution.

Item No. 7:

At the 68th Annual General Meeting held on 30th December 2002, the Members had reappointed Shri H. R. Kilachand as Chairman & Managing Director on remuneration within the ceiling limits provided in Schedule XIII to the Companies Act, 1956, for a period of 5 years w.e.f. 14.8.2002, subject to the approval of the Central Government. Thereafter, the Central Government had fixed a remuneration of Rs.10,90,000/- p.a. as there were outstanding amounts towards Financial Institutions. Shri H. R. Kilachand has been with the Company since August 1985 and during the last 20 years he has contributed vital services in the growth of the Company.

As the Company has paid in full to the Financial Institutions in February 2005 as per the settlement arrived with them and also as the financial position of the Company has substantially improved and considering the efforts made by Shri H. R. Kilachand for the growth of the Company and also considering the present salary structure within the organisation and in the industry in general, it is proposed to obtain the approval of the Members for increase in the remuneration of Shri H. R. Kilachand, from 1st July 2005 to 13th August 2007 within the ceiling limits provided in Schedule XIII to the Companies Act, 1956, subject however to the approval of the Central Government.

It is also proposed to pay commission to Shri H. R. Kilachand at the rate of (1%) one percent of the net profits of the Company for the financial year 2004-2005 computed in the manner as laid down under Section 349 of the Companies Act, 1956 and subject to the overall ceiling laid down under Section 198 and 309 of the Companies Act, 1956, and also subject to the approval of the Central Government.

The Remuneration Committee has approved the above.

The Board recommends passing of the resolution as set out at item no. 7 of the accompanying Notice.

None of the Directors of the Company except Smt. M. H. Kilachand as wife of Shri H. R. Kilachand and Shri H. R. Kilachand, is in any way concerned or interested in the aforesaid resolution.

The above may be regarded as an Abstract of the terms and Memorandum of Interest under Section 302 (7) of the Companies Act, 1956 with respect to the increase in the remuneration of Shri H. R. Kilachand as Chairman & Managing Director of the Company.

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Item No. 8:

The amended Clause 49 of the Listing Agreement with the Stock Exchanges will come into force with effect from 1st January 2006, which requires that all fees / compensation, if any, paid to the Non-executive Directors, including Independent Directors shall be fixed by the Board and shall require previous approval of the shareholders in general meeting.

At present, the Company is paying sitting fees of Rs.5,000/- for attending each meeting of the Board of Directors and the Committees thereof to the Non-executive Directors of the Company.

The Board recommends passing of the resolution as set out at item No.8 of the accompanying Notice.

All Non-executive Directors are concerned and interested in the resolution to the extent of sitting fees payable to them.

Registered Office:

Oriental House
7, Jamshedji Tata Road
Churchgate
Mumbai 400 020

23rd September 2005

By Order of the Board of Directors

D J SHAH

Sr. General Manager (Legal) &
Company Secretary



KESAR ENTERPRISES LTD.

Directors' Report

To
The Shareholders
Kesar Enterprises Ltd.

Dear Members,

Your Directors present to you the 71st Annual Report and Audited Statement of Accounts for year ended 30th June 2005.

FINANCIAL RESULTS:

| | (Rs. in Lacs) | |
|---|-----------------|---------------|
| | 2004-2005 | 2003-2004 |
| Profit before interest, depreciation & taxation | 3,238.86 | 1,414.83 |
| Less: Interest and Finance Charges | 862.46 | 757.17 |
| Profit before Depreciation & taxation (Cash Profit) | 2,376.40 | 657.66 |
| Less : Depreciation | 512.96 | 500.43 |
| Profit / (Loss) before Tax | 1,863.44 | 157.23 |
| Provision for Taxation | | |
| (i) Income Tax - Current | 61.00 | 13.51 |
| (ii) Income Tax - Deferred | 139.88 | 14.42 |
| (iii) Wealth Tax | 0.83 | 0.81 |
| Profit / (Loss) after tax | 1,661.73 | 128.49 |
| Add /(Less): | | |
| Balance brought forward from previous year. | 74.79 | — |
| Prior period adjustments. | (11.41) | (53.70) |
| Profit available for appropriation | 1,725.11 | 74.79 |
| Appropriations : | | |
| (i) Transferred to General Reserve. | 123.45 | — |
| (ii) Proposed Preference Shares Dividend | 3.78 | — |
| (iii) Interim Dividend on Equity Shares | 95.09 | — |
| (iv) Proposed Final Dividend on Equity Shares | 31.70 | — |
| (v) Corporate Tax on Dividend | 18.31 | — |
| (vi) Balance Carried Forward to Balance Sheet | 1,452.78 | 74.79 |
| Total | 1,725.11 | 74.79 |

The profit before interest, depreciation and tax for the year ended 30th June 2005, was Rs. 3,238.86 lac as against Rs.1,414.83 lac in the previous year. The net profit is Rs. 1,661.73 lac during the year as against Rs.128.49 lac in the previous year, which shows a substantial improvement over the previous year.

DIVIDEND

The arrears of proportionate dividend for the year 2003-04 @ 1% on 20,00,000 Cumulative Redeemable Preference Shares of Rs. 10/- each issued to IDBI Ltd. amounting to Rs.1,77,596/- plus dividend tax as applicable was paid on 26th August 2005. The Board recommends dividend for the year 2004-05 @ 1% on the said Preference Shares amounting to Rs.2,00,000/- plus dividend tax as applicable.

The Directors, though very keen, could not recommend any dividend for the year 2003-04. For the year under review, on 19th August, 2005, the Board declared Interim Dividend @ 15% i.e. Rs.1.50 per share on 63,39,315 equity shares of Rs. 10/- each amounting to Rs. 95.09 lac plus dividend tax as applicable. Further to this, the Directors recommend final dividend @ 5% i.e. Rs. 0.50 per share amounting to Rs. 31.70 lac plus dividend tax as applicable for the year 2004-2005. Thus, the total dividend for the year for your approval is 20% i.e. Rs. 2.00 per share aggregating to Rs.126.79 lac plus dividend tax as applicable (Previous year Nil).

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WORKING OF THE DIVISIONS

Sugar Division

The Crushing Season 2004-2005 started on 4.11.2004, eight days earlier than the previous season and ended on 11.4.2005 as against 10.4.2004, one day later than the previous season. During the season, the plant crushed 84.88 lac quintals of sugar cane in 158 days as against 80.86 lac quintals crushed in 150 days in the previous season. Overall crushing would have been much higher had it not been for cane shortage in April 2005. The sugar recovery was marginally higher at 9.90% as against 9.88% in the previous season. The production of sugar was higher at 8.41 lac quintals as against 7.99 lac quintals in the previous season.

During the season 2004-2005, Molasses produced was 3.76 lac quintals as against 3.71 lac quintals in the previous season and surplus Baggasse produced was 25 lac quintals.

The Central Government had raised the Statutory Minimum Price (SMP) of sugar cane by Rs.1.50 per quintal over the last year's one time price to Rs.74.50 per quintal for the season 2004-2005 based on a recovery of 8.5%. Accordingly, the cane price for the Company for the season 2004-2005 was fixed as under.

(Rs. Per Qtl)

| | SMP for the Season 2004-2005 | | SMP for the Season 2003-2004 | |
|--------------------|------------------------------|-----------|------------------------------|-----------|
| | At Gate | At Centre | At Gate | At Centre |
| Ordinary Varieties | 86.82 | 81.07 | 87.45 | 81.70 |
| Early Varieties | 91.82 | 86.07 | 92.45 | 86.70 |

For the crushing season 2004-2005, the U. P. Government had directed the sugar mills to pay Rs.107 per quintal for general variety and Rs.112 per quintal for early variety of sugar cane to farmers. There was transportation rebate of Rs.5.75 per quintal for cane supplied at outcentres. U. P. Government had given concessions of Rs.2.50 per quintal in the form of remission of Rs.1.75 per quintal from the purchase tax on cane of Rs.2 per quintal and Rs. 0.75 per quintal from the society commissions towards purchase of cane.

Based on the Supreme Court Order that the State Governments have the power to fix sugar cane prices, the U P Government had issued notification for payment of differential cane price for the years 1996-97, 2002-2003 and 2003-2004 and issued the Recovery Certificate only in respect of the years 1996-97 and 2003-2004. Accordingly, the Company had paid during the year Rs.157.71 lac for the year 1996-97 and Rs.374.92 lac for the year 2003-2004 and paid after the close of the financial year Rs.759.32 lac for the year 2002-2003 towards the said differential price. The Company had contested the said Supreme Court Order through U.P Sugar Mills Association and a Special Leave Petition was filed before the Supreme Court but the same was rejected.

The Levy sugar price for the season 2004-2005 was announced by the Central Government at Rs.1,330.77 per quintal, the same as that in the previous season.

Distillery Division

During the year under review the production of Rectified Spirit (RS) was slightly lower at 113.82 lac bulk litres as against 115.29 lac bulk litres in the previous year. The production of Extra Neutral Alcohol (ENA) was also lower at 15.48 lac bulk litres as against 23.09 lac bulk litres in the previous year. This was due to high prices and shortage of molasses and also shut down of the plant for modifications in the boiler.

Liquor Division:

The quantity of Country Liquor supplied was slightly lower at 67.43 lac bulk litres as compared to 69.88 lac bulk litres in the previous year. This was mainly due to unhealthy competition and low margins. The production and sales of IMFL was higher by 126% at 7.61 lac cases as against the sale of 3.37 lac cases in the previous year. The Company has launched various semi-premium and premium brands in many States during this year. The Company has contract bottling arrangements with various reputed parties, which ensures a higher capacity utilisation and reduction in operating overheads.

Storage Division

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