

SANSCO SERVICES - A UNIT OF TFC

36th

Annual Report
2001 - 2002

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KHODAY INDIA LIMITED**BOARD OF DIRECTORS**

CHAIRMAN	Shri K.L. RAMACHANDRA
VICE CHAIRMAN & MANAGING DIRECTOR	Shri K.L. SRIHARI
JOINT MANAGING DIRECTOR	Shri K.L.A. PADMANABHASA
EXECUTIVE DIRECTOR	Shri K.L. SWAMY
DIRECTOR	Shri N. LAKSHMAN RAU
DIRECTOR	Dr. S.M. PATIL
GROUP PRESIDENT	Shri P.R. ANANDA MURTHY
COMPANY SECRETARY	Shri M.S. MAYYA
AUDITOR	Shri. S. SUKUMAR Chartered Accountant Bangalore

BANKERS

Canara Bank
Corporation Bank
Punjab National Bank
Indian Overseas Bank
UCO Bank
Bank of Maharashtra
United Western Bank Limited

REGISTERED OFFICE No. 54, Kannayakana Agrahara
Anjanapura Post,
Bangalore - 560 062

ADMINISTRATIVE OFFICE 'Khoday House'
26/2, Sankey Road Cross
Bangalore - 560 052

SHARE DEPARTMENT 'Brewery House'
7th Mile, Kanakapura Road
Bangalore - 560 062

KHODAY INDIA LIMITED**NOTICE TO THE SHAREHOLDERS**

Notice is hereby given that the Thirty Sixth Annual General Meeting of KHODAY INDIA LIMITED, will be held on Monday the 30-9-2002 at 12.00 noon at 'Brewery House', 7th Mile, Kanakapura Road, Bangalore - 62, to transact the following business :

ORDINARY BUSINESS :

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31-3-2002 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
- 2) To appoint a Director in the place of Sri. K.L. Srihari, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in the place of Sri. N.Lakshman Rau, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the Next Annual General Meeting on a remuneration of Rs.50,000/- plus out-of-pocket expenses and actual travel expenses in connection with the Company's Audit. Sri.S.Sukumar, Chartered Accountant, Bangalore retires at this meeting and is eligible for re-appointment.

By order of the Board
For **KHODAY INDIA LIMITED**

Place : Bangalore

Date : 6-9-2002

(M.S. MAYYA)
Company Secretary

- C. The instrument appointing the proxy should, however be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
- D. The Register of Members and Share Transfer Books of the Company will remain closed from 24-9-2002 to 30-9-2002 (both days inclusive)
- E. Members are requested to notify immediately any change in their address including Pin Code.
- F. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.
- G. Members who are holding shares in the same names in different Folios are requested to intimate to the Company the Ledger Folios of such shareholdings together with the Share Certificate(s) to enable the company to consolidate all the holdings into one account. The Share Certificate will be returned to the Members, after endorsement in due course.
- H. As per the provisions of the amendment to the Companies Act, 1956, facility for making nominations is now available for members in respect of the shares held by them. Nomination forms can be obtained from the Shares Department.
- I. Pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, the dividend declared for the year 31-3-1995 and remaining unpaid/unclaimed has been transferred to the General Revenue Account of the Central Government.

NOTES :

- A. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
- B. A blank proxy form is sent herewith.

By order of the Board
For **KHODAY INDIA LIMITED**

Place : Bangalore
Date : 6-9-2002

(M.S. MAYYA)
Company Secretary

36th Annual Report 2001 - 2002**REPORT OF THE DIRECTORS TO THE SHAREHOLDERS**

Your Directors have pleasure in presenting the 36th Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2002 :

FINANCIAL HIGHLIGHTS :

(Rs. in Lakhs)

Particulars	2001-2002	2000-2001
1. Gross Income	15770.43	15534.53
Less : Excise Duty	3897.01	2407.78
2. Net Income	11873.42	13126.75
3. Profit Before Tax	597.42	1121.39
4. Provision for Taxation		
Current Tax	205.00	500.00
Deferred Tax	15.82	-
5. Profit After Tax	376.60	621.39
Add : Balance Brought forward	321.21	(306.23)
	697.81	315.16
Less : Provision for taxation for earlier years	203.61	(151.07)
6. Prior year Adjustments	30.98	(34.72)
7. Depreciation for earlier years	4.14	13.07
8. Transfer to Debenture Redemption Reserve	300.00	166.67
9. Balance carried forward	159.08	321.21

DIVIDEND :

Your Company has recorded a profit before tax of Rs.5.97 Crores (Rs.11.21 Crores in the previous year) and a Profit after tax of Rs.3.76 Crores, compared to Rs.6.21 Crores in the previous year.

The Directors, however, are of the view that it is prudent to conserve resources for current operations and regret their inability to recommend any dividend for the year under review.

REVIEW OF PERFORMANCE :

The net Income of the company during the year under review was Rs.118.73 Crores as compared to Rs.131.26 Crores in the previous year, representing a decrease of Rs.12.53 Crores. However, your Directors hope that the Sales Turnover of the company is expected to be better in the financial year ending 31-3-2003.

FIXED DEPOSITS :

The total amount of deposits as on 31st March 2002 was Rs.194.61 Lakhs. All the matured deposits were re-paid on the due dates.

DIRECTORS :

Sri.K.R. Nithyanand, Sri.K.H. Gurunath, Sri.K.H. Srinivas, Sri.K.P. Ghanshyam and Sri.K.S. Giridhar resigned for the post of Directorships during the year under review. In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Sri.K.L. Srihari, Director and Sri.N.Lakshman Rau, Director, retire by rotation and being eligible, offer themselves for re-appointment.

INFORMATION OF DIRECTORS RETIRING ON ROTATION SEEKING RE-APPOINTMENT

Sri. K.L.SRIHARI is an industrialist and possesses vast experience of about 35 years by virtue of his long

KHODAY INDIA LIMITED

association in different spheres of industry. He is the Vice-Chairman and Managing Director of the Company for more than 16 years and each facet of the Company's business policy during this period, particularly in matters relating to production and administration, bore the imprint of his astute mind and judgement.

He is holding Directorships of the following Public Limited Companies. Khoday Industries Ltd., Khodays Breweries Ltd., Khodays International Ltd., Khodayss Systems Ltd., Khodayss Technologies Ltd., L.K. Power Corporation Ltd., Tiger Breweries Ltd., Wescopower Generation Ltd., Forest Resort (Bandipur) Ltd., River Resort Ltd., Himalaya Distilleries Ltd., United Glass Bottles Manufacturing Company Ltd., The Distillers Company Ltd. He is also the member of shareholders'/ investors' grievance committee and share transfer committee.

Sri. N. LAKSHMAN RAU is an I.A.S. Officer (Retd.) with rich experience of 40 years in the service of the government, out of which 34 years in the Government of Karnataka and 6 years in the Government of India. He holds directorship of Bhadra Estate and Industries Ltd. and he is also the member of Audit Committee of the Company.

PARTICULARS OF EMPLOYEES :

Information Under Section 217(2A) is not furnished as there are no employees drawing a remuneration of Rs.2,00,000 per month or Rs.24,00,000 per annum.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO, IF ANY :

The information required to be furnished under Section 217(1)(e) of the Companies Act, 1956, is annexed.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed.

- i. that in the preparation of the annual accounts for the financial year ended 31st March, 2002, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgements 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 or loss of the company for the year under review ;

- iii. that the directors had taken proper and sufficient care 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. that the directors had prepared the annual accounts for the financial year ended 31st March, 2002 on a going concern basis.

CORPORATE GOVERNANCE :

A separate section on Corporate Governance is included in the Annual Report and the Certificate from the Company's Auditors confirming the compliance of conditions on Corporate Governance as stipulated in the said clause 49 of the Listing Agreement is annexed thereto.

AUDITORS :

Sri.S.Sukumar, Chartered Accountant, Bangalore retires and is eligible for re-appointment.

REMARKS OF AUDITORS :

The remarks made by the Auditors in their Audit Report are considered by the Board of Directors and the following observations are made :

Non-confirmation of Balances :

The Company has been writing to its debtors and creditors and only a few of them have been responding so far. The Company is pursuing this matter and hopes to reconcile all the accounts and also have confirmation of balances from the respective parties.

INDUSTRIAL RELATIONS :

Industrial Relations were cordial throughout the year under review. Your Directors appreciate the dedicated services and co-operation of employees at all levels.

ACKNOWLEDGEMENT :

Your Directors wish to place on record their appreciation of the continued assistance and co-operation from the State Government, Bankers, Financial Institutions, Business Associates and Company's Customers.

For and on behalf of the
Board of Directors
For **KHODAY INDIA LIMITED**

Place : Bangalore
Date : 6-9-2002

K.L. RAMACHANDRA
Chairman

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MANAGEMENT DISCUSSION & ANALYSIS REPORT

1. BUSINESS OVERVIEW :

Khoday India Limited is engaged in the manufacture and distribution of High Quality Alcoholic Beverages for the Indian and Overseas markets. The products are sold extensively through distributors and retail outlets, and through the Canteen Stores Department. The Company also manufactures High Quality Glass Bottles; and its Paper Division produces High Quality Printing and Writing Papers.

The Company is also engaged in the Import of WINES for the domestic markets.

2. BUSINESS ENVIRONMENT :

In a progressively liberalised economic system, the Alcoholic Beverages Industry in the country is passing through a very challenging, but exciting period. With Quantitative Restrictions on Imports having been lifted, free availability of imported goods has become a fact, but our Company's products have been able to hold their position, owing to their Brand Equity as well as the marketing strategies adopted by the company.

3. FINANCIAL PERFORMANCE :

With the gross income of Rs.158 Crores remaining at around the last year's figures of Rs.155 Crores, the cost of manufacture has substantially increased, mainly in the areas of material consumption, employee expenses and financial charges. As a result, Profit After Tax has been reduced to Rs.3.76 Crores (previous year Rs.6.21 Crores).

4. OUT-LOOK FOR 2002-03 :

With competition increasing, margins are under severe pressure. At the same time, costs of inputs are not showing any declining trend. Expenses on

utilities such as Water, Power, Fuel & Transportation are significantly rising and there is no reason to expect any reversal of this trend in the current year. With State Government trying to tax the industry with great enthusiasm, and in the absence of any hope of the Central Government enforcing some rationalisation and uniformity, the Company cannot hope for any relief on this score during the current year.

5. RISK PERCEPTION :

Consolidation of domestic entities and competition from imports, are the on-going risks individual units are facing today. Continued restrictions on "across-the states" movements of Alcoholic Beverages are showing no signs of changing. Therefore, economies of scales, achievable from a central operation in a particular state, cannot be taken advantage of by more rational distribution on an all-India basis. At the same time, opportunities for setting up new units in the different parts of the country are also non-existent, due to incomprehensible licencing policies of the governments.

Another area of concern is the general reluctance of the banking sector to finance increased storage and maturation capabilities.

6. INTERNAL CONTROL SYSTEMS :

The Company has adequate systems of internal control and the scope of the Internal Audit system has been further consolidated by strengthening the Internal Audit Department.

7. INDUSTRIAL RELATIONS :

Industrial relations in all the units of the Company remained cordial throughout the year.

KHODAY INDIA LIMITED**CORPORATE GOVERNANCE REPORT****1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :**

Khoday India Limited believes that good Corporate Governance is essential to achieve long term Corporate Goals and to enhance shareholders' value. Your company believes in transparency in dealing, dissemination of information with due disclosures, adherence to Statutory and regulatory prescription and increasing accountability to its shareholders, bankers and customers.

2. BOARD OF DIRECTORS :

A) The Board of Directors of the company consists of 6 members as on 31-3-2002 comprising :

- a) Three Executive Directors in the whole-time employment of the company.
- b) Three Non-Executive Directors (two Independent Directors)

B) Attendance of each Director at the Board of Directors' Meetings :

In all 8 Board Meetings were held during the financial year 2001-2002 on 30-4-2001, 31-7-2001, 22-9-2001, 30-10-2001, 26-11-2001, 28-12-2001, 30-1-2002 and 30-3-2002.

The attendance of the Directors is as under :

Name of the Director	No. of Board Meetings Attended	Attendance at the Previous AGM
1. Sri. K.L. Ramachandra	7	P
2. Sri. K.L. Srihari	8	P
3. Sri. K.L.A. Padmanabhasa	8	P
4. Sri. K.L. Swamy	8	P
5. Sri. N. Lakshman Rau	8	P
6. Dr. S.M. Patil	5	P

(C) Details about Directors on the Boards/Committees

Name of the Director	Directorships held in other public limited companies	Membership held in committees of the company
1. Sri. K.L. Ramachandra	12	2
2. Sri. K.L. Srihari	13	2
3. Sri. K.L.A. Padmanabhasa	11	-
4. Sri. K.L. Swamy	11	2
5. Sri. N. Lakshman Rau	1	1
6. Dr. S.M. Patil	4	1

36th Annual Report 2001 - 2002**3. AUDIT COMMITTEE :**

For better Corporate Governance, promoting transparency and for enhancing the credibility of the financial disclosures of the company, the Directors have constituted an Audit Committee.

The Audit Committee of Directors has been functioning since 1991. The Audit Committee was reconstituted and its terms of reference, role and scope were modified so as to bring in line with clause 49 of the Listing Agreement with Stock Exchanges. The company also complies with the provisions of Section 292 A of the Companies Act, 1956. At present, the Audit Committee consists of 3 non executive Directors viz., Sri.K.L. Ramachandra - Non Executive Director, Sri. N. Lakshman Rau - Independent Director and Dr.S.M. Patil - Independent Director.

During the financial year ended 31st March 2002 three meetings were held on 30-4-2001, 22-9-2001 and 26-11-2001.

And the attendance were as under :

Name of the Director	Meetings attended
1. Sri. K.L. Ramachandra #	-
2. Sri. K.L. Srihari *	1
3. Sri. K.L. Swamy *	3
4. Sri. N. Lakshman Rau	3
5. Dr. S.M. Patil	3

Appointed as member of the Committee by the Board on 30-3-2002

* Ceased to be members of the Committee w.e.f. 30-3-2002

The Minutes of all the Committees of the Board are prepared by the Secretary of the Company, approved by the Chairman of the Meeting, circulated to the Board in the Agenda for the succeeding meeting and recorded thereat.

4. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE :

The Shareholders'/Investors' Grievance Committee comprising of 3 Directors was also constituted. The Chairman is a Non-Executive Director. The names of the members of the Shareholders'/Investors' Grievance Committee, including its Chairman, are as follows :

Sri K.L. Ramachandra	-	Chairman
Sri. K.L. Srihari	-	Member Director
Sri. K.L. Swamy	-	Member Director

During the year, the company received 62 complaints from Shareholders which were attended to promptly and disposed off within 30 days.

KHODAY INDIA LIMITED**SHAREHOLDERS' / INVESTORS' COMPLAINTS**

Particulars of Complaints received during 2001-2002

Complaint from	Received	Redressed	Pending as on September 6, 2002
Shareholders/Investors	41	41	NIL
Depositories / DPs	21	21	NIL
SEBI	NIL	NIL	NIL
Department of Company Affairs/ Registrar of Companies	NIL	NIL	NIL
Total :	62	62	

NATURE OF COMPLAINTS

Nature	No. of Complaints	% of Complaints
Transfer of Shares	3	4.84
Issue of duplicate share certificates	2	3.23
Non receipt of Dividend warrants	8	12.90
Dematerialisation of Shares	34	54.84
Non receipt of Annual Report	5	8.06
Change of address	1	1.61
Others	9	14.52
Total :	62	100.00

5. GENERAL BODY MEETINGS :**A) Particulars of last three Annual General Meetings :**

AGM	Year ended	Venue	Date	Time
35th	31-3-2001	'Brewery House', 7th Mile, Kanakapura Road, Bangalore - 560 062	28-12-2001	12.15 P.M.
34th	31-3-2000	As above	30-12-2000	12.00 P.M.
33rd	31-3-1999	As above	29-9-1999	11.00 P.M.

No special Resolution requiring Postal Ballot was placed before the last Annual General Meeting. No Special Resolution requiring Postal Ballot is being proposed at the ensuing Annual General Meeting.

B) Particulars of last three Extra-Ordinary General Meetings :

Date	Time	Venue
18-12-1999	10.30 a.m.	Hotel Ashok, Banquet Hall Kumara Krupa, High Grounds Bangalore - 560 001
20-4-2000	10.00 a.m.	No.54, Kannayakana Agrahara, Anjanapura Post Bangalore - 560 062
6-12-2001	10.00 a.m.	No.54, Kannayakana Agrahara, Anjanapura Post Bangalore - 560 062

36th Annual Report 2001 - 2002**6. DISCLOSURES :**

There were no materially significant related party transactions that may have potential conflict with the interests of the company.

The company has complied with the requirements of regulatory authorities on capital markets and no penalties/strictures have been imposed against it in the last three years.

7. MEANS OF COMMUNICATION :

The quarterly and half yearly financial results are published in the Economic Times / Times of India (English) and Kannada Prabha (Kannada). The Management discussion and analysis is a part of this Annual Report.

8. COMPLIANCE CERTIFICATE OF THE AUDITORS :

Certificate of statutory Auditors has been obtained on the compliance of conditions of Corporate Governance in deference to Clause 49 of the Listing Agreement of the Stock Exchanges and the same is annexed. Copy of the certificate is furnished to the Stock Exchanges as required.

9. GENERAL SHAREHOLDER INFORMATION :

36th Annual General Meeting - 30th September 2002 at 'Brewery House', 7th Mile, Kanakapura Road, Bangalore - 560 062

Financial year : 2001-2002

Book Closure Date : 24-9-2002 to 30-9-2002

Listed at Bangalore Stock Exchange Ltd
Stock Exchange Towers, 51, 1st Cross, J.C. Road, Bangalore - 560 027
Phone No : 2995234

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001
Phone No : 022-2721234

Madras Stock Exchange Ltd
"Exchange Building", 11, Second Line Beach, Chennai - 600 001
Phone No : 044-5228951

Market Price data during April 2001 - March 2002 on Mumbai Stock Exchange :

MONTH	YEAR	HIGH Rs. Ps.	LOW Rs. Ps.	VOLUME Nos.
April	2001	18.20	13.10	7750
May	2001	14.50	12.65	10000
June	2001	14.25	11.40	11390
July	2001	16.50	11.30	13907
August	2001	16.50	14.65	5026
September	2001	16.25	14.20	7340
October	2001	17.65	14.10	5393
November	2001	22.90	15.20	14237
December	2001	28.50	17.30	26271
January	2002	23.65	17.00	16106
February	2002	21.75	18.25	10835
March	2002	20.20	15.00	5938