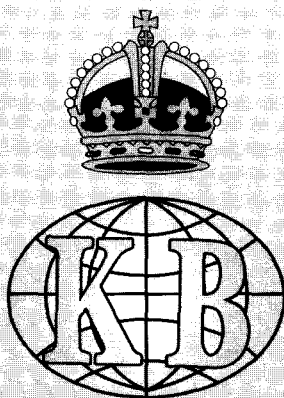

THIRTY EIGHTH ANNUAL REPORT

2003 - 2004

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KHODAY INDIA LIMITED

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	Prof. L.R. VAGALE
DIRECTOR	Major Gen. M.K. PAUL
GROUP PRESIDENT	Shri P.R. ANANDA MURTHY
COMPANY SECRETARY	Shri M.S. MAYYA

AUDITOR	Shri S. SUKUMAR Chartered Accountant Bangalore
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BANKERS	Canara Bank Corporation Bank Punjab National Bank UCO Bank United Western Bank Limited Dhanalakshmi Bank
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REGISTERED OFFICE	No. 54, Kannayakana Agrahara Anjanapura Post, Bangalore - 560 062
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ADMINISTRATIVE OFFICE	"Brewery House" 7th Mile, Kanakapura Road Bangalore - 560 062
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38th Annual Report 2003 - 2004



NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the ADJOURNED THIRTY EIGHTH Annual General Meeting of KHODAY INDIA LIMITED, will be held on Wednesday, the 30th March 2005 at 4.00 p.m. at Vaishnavi Kalyana Mantapa (Next to Shravanthi Kalyana Mantapa), Kanakapura Road, Bangalore-62, to transact the following business:

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31-3-2004 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.

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

Place: Bangalore

Date: 2.3.2005

(M.S.MAYYA)
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 a proxy need not be a member.
- B. A blank proxy form is sent herewith
- 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 28-3-2005 to 30-3-2005 (both days inclusive)
- E. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.

KHODAY INDIA LIMITED**REPORT OF THE DIRECTORS TO THE SHAREHOLDERS**

Your Directors have pleasure in presenting the 38th Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2004:

FINANCIAL HIGHLIGHTS:

(Rs. in Lakhs)

Particulars	2003-2004	2002-2003
1. Gross Income	21117.93	18400.10
Less: Excise Duty	7128.48	5355.87
2. Net Income	13989.45	13044.23
3. Profit Before Tax	404.38	117.74
4. Provision for Taxation		
Current Tax	46.00	9.30
Deferred Tax	(34.47)	(188.27)
5. Profit After Tax	392.85	296.71
ADD :Balance Brought forward	—	159.08
LESS: Balance absorbed on Amalgamation	—	(576.64)
	392.85	(120.85)
LESS:Provision for taxation for earlier years	—	72.03
6. Prior year Adjustments	—	(40.20)
7. Depreciation for earlier years	—	1.54
8. Transfer to Capital Redemption Reserve }	5.31	—
9. Balance carried forward	387.54	(154.22)

DIVIDEND:

Your Directors express their inability to declare dividend for the year under review.

REVIEW OF PERFORMANCE:

The net income of the Company during the year under review was Rs139.89 Crores compared to Rs.130.44 Crores in the previous year, representing an increase of Rs.9.45 Crores .

Your Directors hope that the sales turnover of the Company is expected to be better in the years to come, depending upon the prevailing market conditions.

FIXED DEPOSITS:

The total amount of deposits as on 31st March 2004 was Rs.99 Lakhs. All the matured deposits were re-paid.

DIRECTORS:

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. K.L. Swamy, Director were re-appointed at the Annual General Meeting of the company held on 24.12.2004.

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.

PARTICULARS OF EMPLOYEES:

Particulars required to be furnished under the Companies (Particulars of Employees) Rules, 1975 and Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, to the extent applicable to the Company are given in the Annexure.

38th Annual Report 2003 - 2004**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i. that in the preparation of the annual accounts for the financial year ended 31st March, 2004, 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, 2004 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 on Corporate Governance as stipulated in the said clause 49 of the Listing Agreement is annexed thereto.

AUDITORS:

Sri.S.Sukumar, Chartered Accountant, Bangalore was re-appointed as Statutory Auditor of the company in the Annual General Meeting held on 24.12.2004, to hold office until the conclusion of the next Annual General Meeting.

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:

1. 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.

2. Non-conducting of Audit Committee Meeting:

The Audit Committee could not meet during the year under review on account of paucity of quorum requirement.

3. Over due Loan Amount:

- 3(a) The over due amounts payable in respect of term loan due to Financial Institutions, banks and debenture holder have been paid subsequently to the extent of Rs. 10 Lacs to Financial Institutions, Rs. 924.24 Lacs to Banks and Rs. 88.54 Lacs to Debenture holder.
- (b) The company has utilized out of term loan taken from bank to the extent of Rs. 148.02 lacs towards advances in the normal course of business.

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

Date: 2.3.2005
Place: Bangalore

K.L. RAMACHANDRA
CHAIRMAN

KHODAY INDIA LIMITED**Annexure "A" to Director's Report**

Information pursuant to Section 217(1)(e) of the Companies Act, 1956

FORM - A (See Rule 2)**1. Conservation of Energy.**

PARTICULARS	31-03-2004		31-03-2003	
	Paper	Glass	Paper	Glass
A. POWER & FUEL CONSUMPTION				
1. Electricity				
(a) Units Purchased KWH	90408	5761956	600192	5433732
Amount (Rupees in '000s)	2291	27724	5,276	24,726
Rate per Unit (in Rs.)	25.35	4.81	8.79	4.55
(b) Own Generation :				
Through Diesel Generators				
Units Produced KWH	NIL	204052	2,870	308066
Rate per Unit (in Rs.)	NIL	9.63	22.61	8.90
B. CONSUMPTION PER UNIT OF PRODUCTION				
Electricity KWH (per M.T)	1793.27	518.27	1023.56	643

FORM - B (See Rule 2)**2. TECHNOLOGY ABSORPTION**

The question of technology absorption does not arise

3. Foreign Exchange Earnings & Out Go

[Rupees in Thousands]

PARTICULARS	31-03-2004	31-03-2003
A. FOREIGN EXCHANGE OUT GO	19,282	43,256
B. FOREIGN EXCHANGE EARNINGS	2,32,018	19,769

Annexure "B" to Directors' Report

INFORMATION REQUIRED AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31ST 2004:

1) NAME	:	LEHAR SARMA
2) DESIGNATION	:	VICE-PRESIDENT - MARKETING
3) REMUNERATION (RS. P.M.)	:	5,27,380/-
4) QUALIFICATION	:	MBA
5) EXPERIENCE (YRS)	:	7 YEARS 4 MONTHS
6) COMMENCEMENT OF EMPLOYMENT	:	1-2-2002
7) AGE (YRS)	:	31 YEARS
8) PARTICULARS OF LAST EMPLOYMENT/ EMPLOYER/ LAST POST AND PERIOD FOR WHICH POST HELD :	:	2 YEARS GLOBAL BUSINESS DIRECTOR AIR INFOTECH, GURGAON

38th Annual Report 2003 - 2004



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, strict 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 31-3-2004 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 6 Board Meetings were held during the financial year 2003-2004 on 30-4-2003, 31-7-2003, 29-9-2003, 31-10-2003, 26-11-2003, 31-1-2004.

The attendance of the Directors is as under:

	NAME	POSITION	NO.OF BOARD MEETINGS ATTENDED	ATTENDANCE AT THE PREVIOUS AGM
1.	SRI.K.L.RAMACHANDRA	Promoter		
		Non-Executive	6	A
2.	SRI.K.L.SRIHARI	Promoter		
		Executive	5	P
3.	SRI.K.L.A.PADMANABHASA	Executive	6	P
4.	SRI.K.L.SWAMY	Executive	5	P
5.	SRI.N.LAKSHMAN RAU *	Non-Executive		
		Independent	2	A
6.	DR.S.M.PATIL **	Non-Executive		
		Independent	1	A
7.	Prof.L.R.Vagale #	Non-Executive		
		Independent	5	P
8.	Maj.Gen.M.K.Paul #	Non-Executive		
		Independent	5	P

* Resigned with effect from: 31-7-2003

** Expired on 13-7-2003

Appointed as Directors on 31-7-2003

(C) Details about the Directors on the Boards/Committees:

NAME OF THE DIRECTOR	DIRECTORSHIPS HELD IN OTHER PUBLIC LIMITED COMPANIES	MEMBERSHIP HELD IN COMMITTEES
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. PROF.L.R.VAGALE	-	1
6. MAJ.GEN.M.K.PAUL	-	1

KHODAY INDIA LIMITED

3. AUDIT COMMITTEE:

The Audit Committee of the Board of Directors has been functioning since 1991. At present, the Audit Committee consists of 3 Non-Executive Directors viz., Sri.K.L.Ramachandra – Non-Executive Director, Prof.L.R.Vagale - Independent Director and Maj.Gen.M.K.Paul – Independent Director.

The Audit Committee could not meet during the year under review on account of paucity of quorum requirement.

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 46 complaints from Shareholders which were attended to promptly and disposed off within 30 days.

SHAREHOLDERS'/INVESTORS' COMPLAINTS:

Particulars of Complaints received during 2003-2004

Complaint from	Received	Redressed	Pending as on November 30, 2004
Shareholders/Investors	43	43	NIL
Depositories/DP	NIL	NIL	NIL
SEBI	3	3	NIL
Stock Exchanges	NIL	NIL	NIL
Department of Company Affairs/Registrar of Companies	NIL	NIL	NIL
TOTAL	46	46	NIL

NATURE OF COMPLAINTS

Nature	No. of Complaints	% of Complaints
Transfer of Shares	2	4.35
Issue of duplicate Share certificates	1	2.17
Non receipt of Dividend Warrants	7	15.22
Dematerialisation of Shares	1	2.17
Non receipt of Annual Report	6	13.04
Change of Address	1	2.17
Non receipt of Debenture Redemption Warrant/Amount	24	52.18
Others	4	8.70
Total	46	100.00

38th Annual Report 2003 - 2004**5. GENERAL BODY MEETINGS:****A) Particulars of last three Annual General Meeting:**

AGM	Year ended	Venue	Date	Time
38 th	31-2-2004	Shravanthi Kalyana Mantapa Kanakapura Road, Bangalore-560 062 (Meeting Adjourned)	24-12-2004	12.15 p.m.
37 th	31-3-2003	As above	26-12-2003	12.00 Noon
37 th	31-3-2002	"Brewery House" 7th Mile, Kanakapura Road Bangalore-560 062	30-9-2002	12.00 Noon

A) Particulars of last two Extra-Ordinary General Meetings:

Date	Time	Venue
18.3.2003	11.00 A.M	'Brewery House' 7 th Mile, Kanakapura Road, Bangalore -62
18-12-1999	10.30 A.M.	Hotel Ashok, Banquet Hall Kumara Krupa, High Grounds Bangalore-560 001

6. DISCLOSURES:

There were no materially significant related party transactions.

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 were furnished to the Stock Exchanges as per listing agreement.

8. COMPLIANCE CERTIFICATE OF THE AUDITORS:

Certificate of Statutory Auditors has been obtained on 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:

38TH ANNUAL GENERAL MEETING – 24th December 2004 At 12.15 Noon. At Shravanthi Kalyana Mantapa, Kanakapura Road, Bangalore-560 062. (Adjourned)

KHODAY INDIA LIMITED

Financial year : 2003-2004

Book Closure Date: 17-12-2004 to 24-12-2004

Listed at Bangalore Stock Exchange Ltd
Stock Exchange Towers,
51, 1st Cross, J C Road
Bangalore-560 027
Phone No: 51575234

The Stock Exchange, Mumbai,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400 001
Phone No: 022-22721234

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

Market Price data during April 2003 – March 2004 on Mumbai Stock Exchange :

MONTH		OPEN	HIGH	LOW	VOLUME
APRIL	2003	10.00	12.45	9.30	6338
MAY	2003	9.20	13.95	9.20	22342
JUNE	2003	12.26	15.50	12.25	39515
JULY	2003	13.65	17.75	12.10	61046
AUGUST	2003	13.50	18.50	13.50	103866
SEPTEMBER	2003	14.90	15.25	12.30	48686
OCTOBER	2003	13.00	14.74	12.40	32009
NOVEMBER	2003	12.25	20.00	11.55	100489
DECEMBER	2003	17.25	36.00	16.00	437243
JANUARY	2004	25.00	26.05	16.05	289582
FEBRUARY	2004	17.50	20.00	13.65	174597
MARCH	2004	15.75	16.95	12.40	94861

Dematerialisation

The Equity shares of the company are traded in compulsory demat form and are available for trading under both the Depository Systems in India, namely NSDL and CDSL. Its International Securities Identification Number (ISIN) allotted under the Depository System is INE687B01014-KIL-EQ.

Mode of holding	Shareholders		Equity Shares	
As on 31-3-2004	No.	%	No.	%
Physical	13,865	76.38	3,63,01,485*	96.57
Demat	4,288	23.62	12,89,752	3.43

* 23076923 shares of Rs.10/- each allotted to 11 shareholder's consequent to amalgamation of Khodayss Systems Ltd with Khoday India Limited has not been listed on the Stock Exchanges.