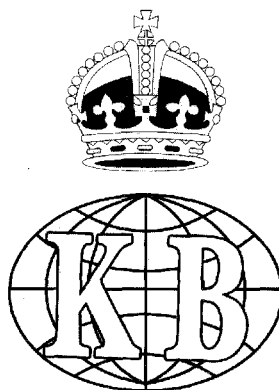


THIRTY NINTH ANNUAL REPORT 2004 - 2005



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
BANKERS	Canara Bank Corporation Bank Punjab National Bank UCO Bank United Western Bank Limited Dhanalakshmi Bank
REGISTERED OFFICE	No. 54, Kannayakana Agrahara Anjanapura Post, Bangalore - 560 062
ADMINISTRATIVE OFFICE	"Brewery House" 7th Mile, Kanakapura Road Bangalore - 560 062



39th Annual Report 2004 - 2005**NOTICE TO THE SHAREHOLDERS**

Notice is hereby given that the THIRTY NINTH Annual General Meeting of KHODAY INDIA LIMITED, will be held on Friday, the 23rd December 2005 at 12.00 Noon at 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 31-3-2005 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 Mr.L.R.Vagale, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in the place of Mr.M.K.Paul, 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.3,00,000/- (including Tax Audit) 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.

SPECIAL BUSINESS:**5) ORDINARY RESOLUTION:**

To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309, and other applicable provisions, if any of the Companies Act, 1956, the Company hereby accords its approval and consent for the re-appointment of Sri.K.L.Srihari, as a Whole Time Director designated as Managing Director w.e.f. 1-1-2006 for a period of 5 years on the following terms and conditions:

a) REMUNERATION:

SALARY : Rs.5,40,000-00 per annum or Rs.45,000-00 per month.

COMMISSION: 1% of the net profit.

b) PERQUISITES:

- i) Use of car and telephone: Free use of office car with a driver for official use. Free telephone facility at his residence provided long distance personal calls will be paid by him.
- ii) Subscription to Clubs/Associations: Fees of Clubs subject to a maximum of Two clubs. This will not include admission and life membership fees."

"RESOLVED FURTHER that where in any Financial year the Company has no profits or its profits are inadequate the remuneration payable to Sri.K.L.Srihari shall be governed by Section II of part II of Schedule XIII of the Companies Act, 1956 or any statutory enactment thereof."

"RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorised to do all acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this Resolution."

KHODAY INDIA LIMITED

6) ORDINARY RESOLUTION:

To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309, and other applicable provisions, if any of the Companies Act, 1956, the Company hereby accords its approval and consent for the re-appointment of Sri.K.L.A.Padmanabhasa, as a Whole Time Director designated as Joint Managing Director w.e.f. 1-1-2006 for a period of 5 years on the following terms and conditions:

a) REMUNERATION:

SALARY : Rs.4,80,000-00 per annum or Rs.40,000-00 per month.

COMMISSION: 1% of the net profit.

b) PERQUISITES:

- i) Use of car and telephone: Free use of office car with a driver for official use. Free telephone facility at his residence provided long distance personal calls will be paid by him.
- ii) Subscription to Clubs/Associations: Fees of Clubs subject to a maximum of Two clubs. This will not include admission and life membership fees."

"RESOLVED FURTHER that where in any Financial year the Company has no profits or its profits are inadequate the remuneration payable to Sri.K.L.A.Padmanabhasa shall be governed by Section II of part II of Schedule XIII of the Companies Act, 1956 or any statutory enactment thereof."

"RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorised to do all acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this Resolution."

By order of the Board
For KHODAY INDIA LIMITED

Place: Bangalore
Date: 30.11.2005

(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 19-12-2005 to 23-12-2005 (both days inclusive)
- E. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.

By order of the Board
For KHODAY INDIA LIMITED

Place: Bangalore
Date : 30.11.2005

(M.S. MAYYA)
COMPANY SECRETARY

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**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2)
OF THE COMPANIES ACT, 1956**

ITEM NO: 5 AND 6:

The Shareholders of the company at the 34th Annual General Meeting held on 30-12-2000 re-appointed Sri.K.L.Srihari as Vice-Chairman and Managing Director and Sri.K.L.A. Padmanabhasa as Joint Managing Director for a period of 5 years w.e.f. 1-1-2001. The term of their appointments will expire on 31-12-2005. The Board of Directors at their meeting held on 30-11-2005 approved the re-appointment of these Whole Time Functional Directors subject to the approval of the Shareholders, for a further period of 5 years.

The Directors recommend the resolutions for the approval of the shareholders.

Sri.K.L.Srihari and Sri.K.L.A.Padmanabhasa are interested in the resolutions.

Sri.K.L.Ramachandra and Sri.K.L.Swamy being relatives of Sri.K.L.Srihari and Sri.K.L.A.Padmanabhasa are deemed to be interested in the resolutions.

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

Place: Bangalore
Date : 30.11.2005

(M.S.MAYYA)
COMPANY SECRETARY

KHODAY INDIA LIMITED

ANNEXURE TO THE AGM NOTICE

Information pursuant to Clause 49 of the Listing Agreement regarding appointment of new Directors or re-appointment of Directors:

1. Name : Prof.Lakshmansa Ramachandrasa Vagale
 Date of Birth and Age: 25-6-1922 - 83 YEARS
 Qualification : B.Sc., M.Sc., B E (Civil)
 Date of Appointment: 31-7-2003
 Specialised Expertise:Engineering Town
 Planning and Housing, Chief Technical Advisor and Project
 Manager with project Management and Financial Management
 as his responsibility for large U.N. Project.

Other Directorships : None.

Chairman/Member of the Committee : CHAIRMAN :
 Audit Committee Meeting, Khoday India Limited.

2. Name : Major General (Retd) M.K.Paul
 Date of Birth and Age: 01-04-1935 - 70 YEARS
 Qualification : B E (Mech), Civil Engineering
 Date of Appointment: 31-7-2003
 Specialised Expertise: Controller in National Institute of
 Advanced Studies in Bangalore.

Other Directorships : None.

Chairman/Member of the Committee : MEMBER :
 Audit Committee Meeting, Khoday India Limited.

3. Name : Sri.K.L.Srihari:
 Date of Birth and Age: 26-4-1939 - 66 YEARS
 Qualification : Industrialist
 Date of Appointment: 28-2-1969
 Specialised Expertise: General Management

Sri.K.L.Srihari has been a Director on the Board of the Company since 28-02-1969.

Sri.K.L.Srihari is a Director of the following companies:

Forest Resort (Bandipur) Ltd, Himalaya Distilleries Ltd, Khodays Breweries Ltd, Khodays Technologies Ltd, Khodays International Ltd, L K Power Corporation Ltd, River Resort Ltd, Tiger Breweries Ltd, United Glass Bottles Manufacturing Company Ltd and Wescopower Generation Ltd.

Chairman/Member of the Committees: MEMBER: Shareholders/Investors Grievance Committee, Khoday India Limited. CHAIRMAN: Share Transfer Committee, Khoday India Limited.

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4. Name : Sri.K.L.A.Padmanabhasa
Date of Birth and Age: 30-12-1940 - 64 YEARS
Qualification : Industrialist
Date of Appointment: 28-2-1969
Specialised Expertise: General Management

Sri.K.L.A.Padmanabhasa has been a Director on the Board of the Company since 28-02-1969.

Sri.K.L.A.Padmanabhasa is a Director of the following companies:

Khodays Breweries Ltd, Khodays Technologies Ltd, Khodays International Ltd, L K Power Corporation Ltd, National Distilleries Ltd, Tiger Breweries Ltd, United Glass Bottles Manufacturing Company Ltd and Wescopower Generation Ltd.

Chairman/Member of the Committees: MEMBER: None.



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

Your Directors have pleasure in presenting the 39th Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2005:

FINANCIAL HIGHLIGHTS:

(Rs. in Lakhs)

Particulars	2004-2005	2003-2004
1. Gross Income	15613.67	21117.93
Less: Excise Duty	4546.28	7128.48
2. Net Income	11067.39	13989.45
3. Profit Before Tax	(554.60)	404.38
4. Provision for Taxation		
Current Tax	-	46.00
Deferred Tax	68.78	(34.47)
5. Profit After Tax	(485.82)	392.85
6. Prior year Adjustments	(5.50)	-
ADD :Balance Brought forward	387.54	-
	(103.78)	392.85
7. Transfer to Debenture } Redemption Reserve }	-	5.31
8. Balance carried forward	(103.78)	387.54

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 Rs.110.67 Crores compared to Rs.139.89 Crores in the previous year, representing a decrease of Rs. 29.22 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 2005 was Rs.74 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, Mr.L.R.Vagale, Director and Mr.M.K.Paul, Director retire by rotation and being eligible, offer themselves for re-appointment.

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr.K.L.Srihari, Managing Director and Mr.K.L.A.Padmanabhasa, Joint Managing Director being eligible, offer themselves for re-appointment for the office of Whole Time Directorship.

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.

39th Annual Report 2004 - 2005**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirement under Section 217(2A) 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, 2005, 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, 2005 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:

The overdue amount payable in respect of term loan due to Financial Institutions & Banks have been paid subsequently to the extent of Rs. 103.10 lacs to financial institutions and Rs. 1159.22 lacs to Banks.

4. As per the opinion of the management, the amount mentioned in the Audit Report amounting to Rs. 315.64 lacs in respect of sundry debtors and Rs. 300.99 lacs in respect of irrecoverable advances would be realised 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: 30.11.2005
Place: Bangalore

K.L. RAMACHANDRA
CHAIRMAN