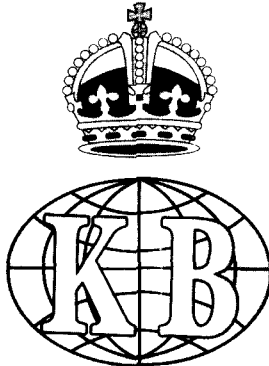


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Annual Report  
2005 - 2006

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**KHODAY INDIA LIMITED**

**KHODAY INDIA LIMITED****BOARD OF DIRECTORS**

<b>CHAIRMAN</b>	Shri K.L. RAMACHANDRA
<b>VICE CHAIRMAN &amp; MANAGING DIRECTOR</b>	Shri K.L. SRIHARI
<b>JOINT MANAGING DIRECTOR</b>	Shri K.L.A. PADMANABHASA
<b>EXECUTIVE DIRECTOR</b>	Shri K.L. SWAMY
<b>DIRECTOR</b>	Prof. L.R. VAGALE
<b>DIRECTOR</b>	Major Gen. M.K. PAUL
<b>GROUP PRESIDENT</b>	Shri P.R. ANANDA MURTHY
<b>COMPANY SECRETARY</b>	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

**\*CERTIFIED TRUE COPY\***  
**for KHODAY INDIA LIMITED**

**Company Secretary**

## 40th Annual Report 2005 - 2006



### NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the FORTIETH Annual General Meeting of KHODAY INDIA LIMITED will be held on Friday, the 29<sup>th</sup> September 2006 at 12 30 p m at Vaishnavi Kalyana Mantapa Kanakapura Road Bangalore-560 078, to transact the following business

#### ORDINARY BUSINESS:

- 1) To receive consider and adopt the Audited Balance Sheet as at 31-3-2006 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 Ramachandra who retires by rotation and being eligible, offers himself for re-appointment
- 3) To appoint a Director in the place of Sri K L A Padmanabhasa, 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/- 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 06 09 2006

(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 23-9-2006 to 29-9-2006 (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 06 09 2006

(M.S. MAYYA)  
COMPANY SECRETARY

## KHODAY INDIA LIMITED

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### 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 Sri K L Ramachandra

Date of Birth and Age 13-12-1930 - 76 YEARS

Date of Appointment 28-09-1965

Qualification Industrialist

Specialised Expertise General Management

Other Directorships None

Sri K L Ramachandra is a Director since its inception

Sri K L Ramachandra is a Director of the following Company

Forest Resort (Bandipur) Ltd, Himalaya Distilleries Ltd, Khodays Breweries Ltd, L K Polyfibre Ltd National Distilleries Ltd Surya Watch Industries Ltd, Tiger Breweries Ltd and United Bottling and Manufacturing Company Ltd

Chairman/Member of the Committees MEMBER Audit Committee Khoday India Ltd

Chairman Shareholders / Investors, Greivance Committe, Khoday India Ltd

2 Name Sri K L A Padmanabhasa

Date of Birth and Age 30-12-1940 - 65 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 Bottling and Manufacturing Company Ltd and Wescopower Corporation Ltd

Chairman/Member of the Committees MEMBER None

## 40th Annual Report 2005 - 2006



## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the 40<sup>th</sup> Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2006

**FINANCIAL HIGHLIGHTS:**

(Rs in Lakhs)

Particulars	2005-2006	2004-2005
1 Gross Income	15447.83	15613 67
Less Excise Duty	5667 82	4546 28
2 Net Income	9780.01	11067 39
3 Profit Before Tax	(1371.39)	(554 60)
4 Provision for Taxation		
Current Tax	-	-
Deferred Tax	-	68 78
Fringe Benefit Tax	(20.26)	
5 Prior year adjustments	-	(5 50)
6 Profit After Tax	(1391.65)	(491 32)
ADD Income Tax for the earlier years	9.88	
ADD Balance Brought forward	-	387 54
	(1381.77)	(103 78)
7 Transfer to Debenture } Redemption Reserve}		
8 Balance carried forward	(1381.77)	(103 78)

**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 97 80 Crores compared to Rs 110 67 Crores in the previous year, representing a decrease of Rs 12 87 Crores. The paper mill situated at Kunigal has not worked during the year under review. Steps are being taken to commence operation in the unit. The plant and machinery and all other assets are being maintained in good condition and there is no impairment of any of the assets of the Paper Mill.

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.

**DIRECTORS:**

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Sri K L Ramachandra, Director and Sri K L A Padmanabhasa, Director retire by rotation and being eligible, offer themselves for re-appointment.

**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

## KHODAY INDIA LIMITED

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### 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 31<sup>st</sup> March, 2006 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 31<sup>st</sup> March, 2006 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 23 12 2005, to hold office until the conclusion of the next Annual General Meeting

### REMARKS OF AUDITORS:

#### 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 Over due Loan Amount

The overdue amount payable to Banks, Financial Institutions, etc , have been paid subsequently to the extent of Rs 203 59 Lakhs to Banks and Rs 585 40 to Financial Institutions

3 As per the opinion of the Management the amount mentioned in the audit report amounting to Rs 316 21 Lakhs in respect of Sundry Debtors and Rs 350 99 Lakhs in respect of irrecoverable advances would be realized 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 06 09 2006  
Place Bangalore

**K.L. RAMACHANDRA**  
C HAIRMAN

## 40th Annual Report 2005 - 2006

**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	31-03-2006	31-03-2005
	Glass	Glass
<b>A. POWER &amp; FUEL CONSUMPTION</b>		
1 Electricity		
(a) Units Purchased KWH	53,72,098	54,08,352
Amount (Rupees in '000s)	27,106	27,534
Rate per Unit (in Rs )	5 05	5 10
(b) Own Generation		
Through Diesel Generators		
Units Produced KWH	59,845	2,05,052
Rate per Unit (in Rs )	15 29	10 42
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Electricity KWH (per M T)	636	619

**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	31-03-2006	31-03-2005
A FOREIGN EXCHANGE OUT GO	11,936	14,568
B FOREIGN EXCHANGE EARNINGS	1,57,723	2,85,804

**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 31<sup>ST</sup> 2006:**

1) NAME	LEHAR SARMA
2) DESIGNATION	VICE-PRESIDENT - MARKETING
3) REMUNERATION (RS Per Annum)	92,22,820/-
4) QUALIFICATION	MBA
5) EXPERIENCE (YRS)	8 YEARS 4 MONTHS
6) COMMENCEMENT OF EMPLOYMENT	1-2-2002
7) AGE (YRS)	33 YEARS
8) PARTICULARS OF LAST EMPLOYMENT/EMPLOYER	2 YEARS
LAST POST AND PERIOD FOR WHICH POST HELD	GLOBAL BUSINESS DIRECTOR AIR INFOTECH, GURGAON
9) RESIGNED ON	31-1-2006

## 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, 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 31-3-2006 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 2005-2006 on 29-4-2005 28-7 2005, 30-9-2005, 31-10-2005, 30-11-2005, 31-01-2006

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	P
2	SRI K L SRIHARI	Promoter Executive	4	P
3	SRI K L A PADMANABHASA	Executive	6	P
4	SRI K L SWAMY	Executive	6	P
5	PROF L R VAGALE	Non-Executive Independent	6	P
6	MAJ GEN M K PAUL	Non-Executive Independent	6	P

(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	8	2
2	SRI K L SRIHARI	10	2
3	SRI K L A PADMANABHASA	8	-
4	SRI K L SWAMY	8	2
5	PROF L R VAGALE	-	1
6	MAJ GEN M K PAUL	-	1



## 40th Annual Report 2005 - 2006

**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 Meeting was held on 28-2-2006.

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

**SHAREHOLDERS'/INVESTORS' COMPLAINTS:**

Particulars of Complaints received during 2005-2006

Complaint from	Received	Redressed	Pending as on March 31, 2006
Shareholders/Investors	7	7	NIL
Depositories/DP	NIL	NIL	NIL
SEBI	2	2	NIL
Stock Exchanges	3	3	NIL
Department of Company Affairs/Registrar of Companies	NIL	NIL	NIL
<b>TOTAL</b>	<b>12</b>	<b>12</b>	<b>NIL</b>

**NATURE OF COMPLAINTS**

Nature	No of Complaints	% of Complaints
Transfer of Shares	6	50.00
Issue of duplicate Share certificates	1	8.33
Non receipt of Dividend Warrants	-	-
Dematerialisation of Shares	-	-
Non receipt of Annual Report	1	8.33
Change of Address	-	-
Non receipt of Debenture	-	-
Redemption Warrant/Amount	3	25.00
Others	1	8.33
<b>Total</b>	<b>12</b>	<b>100.00</b>

## KHODAY INDIA LIMITED

### 5. GENERAL BODY MEETINGS:

#### A) Particulars of last three Annual General Meeting

AGM	Year ended	Venue	Date	Time
39 <sup>th</sup>	31-3-2005	Shravanti Kalyana Mantapa, Kanakapura Road, Bangalore-560 078	23-12 2005	12 00 NOON
38 <sup>th</sup>	31-3-2004	(ADJOURNED MEETING) Vaishnavi Kalyana Mantapa (Nest to Shravanti Kalyana Mantapa) Kanakapura Road, Bangalore-560 078	30-3-2005	04-00 PM
38 <sup>th</sup>	31-3-2004	Shravanti Kalyana Mantapa, Kanakapura Road, Bangalore-560 078 (MEETING ADJOURNED)	24-12-2004	12 15 PM

#### B) Particulars of last two Extra-Ordinary General Meetings

Date	Time	Venue
18 3 2003	11 00 A M	'Brewery House' 7 <sup>th</sup> 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:

40<sup>TH</sup> ANNUAL GENERAL MEETING – 29<sup>th</sup> September 2006 At 12 30 p m At Vaishnavi Kalyana Mantapa,  
Kanakapura Road, Bangalore-560 078