

Forty First Annual Report 2006 - 2007

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KHODAY INDIA LIMITED

KHODAY INDIA LIMITED**BOARD OF DIRECTORS**

CHAIRMAN	Sri K.L. RAMACHANDRA
VICE CHAIRMAN & MANAGING DIRECTOR	Sri K.L. SRIHARI
JOINT MANAGING DIRECTOR	Sri K.L.A. PADMANABHASA
EXECUTIVE DIRECTOR	Sri K.L. SWAMY
DIRECTOR	Prof. L.R. VAGALE
DIRECTOR	Major Gen. (Retd.) M.K. PAUL
DIRECTOR	Sri D.V. TIKEKAR
GROUP PRESIDENT	Sri P.R. ANANDA MURTHY
COMPANY SECRETARY	Sri M.S. MAYYA
AUDITOR	Sri S. SUKUMAR Chartered Accountant Bangalore
BANKERS	Canara Bank Corporation Bank Punjab National Bank UCO Bank Industrial Development Bank of India Dhanalakshmi Bank
REGISTERED OFFICE	No. 54, Kannayakana Agrahara Anjanapura Post, Bangalore - 560 062
ADMINISTRATIVE OFFICE	"Brewery House" 7th Mile, Kanakapura Road Bangalore - 560 062 Ph : 080-22956569

41st Annual Report 2006 - 2007**NOTICE**

Notice is hereby given that the FORTY FIRST Annual General Meeting of KHODAY INDIA LIMITED, will be held on Monday, the 17th December 2007 at 12.00 Noon at Shravanti Kalyana Mantapa, Opp.Adiga's Hotel, Kanakapura Main Road, Bangalore-560 078, to transact the following business:

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31-3-2007 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
- 2) To declare a dividend.
- 3) To appoint a Director in the place of Prof.L.R.Vagale who retires by rotation and being eligible, has offered to be re-appointed.
- 4) To appoint M/s.Rangaraju and Associates, Chartered Accountants, Bangalore as Statutory Auditors to hold office from the conclusion of this Annual General Meeting up to the next Annual General Meeting at a remuneration to be decided by the Board of Directors, in place of Mr.S.Sukumar, Chartered Accountant who has expressed his unwillingness to be re-appointed.

SPECIAL BUSINESS:**5) ORDINARY RESOLUTION:****Appointment of Director :**

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

"RESOLVED that Sri.D.V.Tikekar, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation."

6) ORDINARY RESOLUTION:**Increase in Authorised Share Capital:**

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 Section 94 (1)(a) and other applicable provisions if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and the same is hereby increased from the existing Rs.45,00,00,000/- (Rupees Forty Five Crores only) divided into 4,50,00,000 Equity Shares of Rs.10/- each to Rs.100,00,00,000/- (Rupees One Hundred Crores only) divided into 10,00,00,000 Equity Shares of Rs.10/- each ranking pari-pasu with the existing shares.

7) SPECIAL RESOLUTION:**Alteration of Memorandum :**

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

"RESOLVED that pursuant to the provisions of Section 16 and other applicable provisions if any, of the Companies act, 1956, or the re-enactment thereof for the time being in force, the Memorandum of Association of the company be and the same is hereby altered in the following manner :-

By deleting the existing Clause V and by substituting the following new Clause V:

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- V. The Share Capital is Rs.100,00,00,000/- (Rupees One Hundred Crores only) divided into 10,00,00,000 (Ten Crores) Equity Shares of Rs.10/- each with power for the company to increase or reduce or divide the shares in the Capital for the time being into several classes and attach thereto respectively such preferential Shares or other rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 and provided by the Articles of Association of the time being.

8) SPECIAL RESOLUTION:

Alteration of Article:

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

"RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions if any, of the Companies act, 1956, or the re-enactment thereof for the time being in force the Article 3 of the Articles of Association of the company be and the same is hereby altered in the following manner :-

By deleting the existing Article 3 and substituting the following new Article 3 :

3. The Share Capital is Rs.100,00,00,000/- (Rupees One Hundred Crores only) divided into 10,00,00,000 (Ten Crores) Equity Shares of Rs.10/- each.

9) SPECIAL RESOLUTION:

ISSUE OF FRESH SECURITIES:

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED that subject to the Directions and Guidelines of the Government of India for Issue of Foreign Currency Bonds and other Securities and the provisions of all applicable regulations including Section 81 and other applicable provisions if any, of the Companies act, 1956 or the re-enactment thereof for the time being in force, the Issue of Foreign currency Convertible Bonds and Ordinary Shares ("Through Depository Receipt Mechanism) Scheme 1995, the Foreign Exchange Management Act, 1995, the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Out side India), Regulations 2000 (including any Statutory modifications or any re-enactment thereof for the time being in force) and any other applicable provisions, schemes, rules and regulations, guidelines, notifications and circulars issued by the Reserve Bank of India or any other Authority and rules applicable from time to time as also in accordance with the provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company between the Stock Exchanges where the Shares of the Company are listed and subject to the necessary consents / approvals, permissions and sanctions or concerned Government/ Statutory or other Regulatory Authorities and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the 'Board', which term shall include any Committee thereof) the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot either India or in the course of International offering(s) in one or more Foreign markets, such number of Global Depository Receipts (GDRs), American Depository Receipt (ADRs), Foreign Currency Convertible Bonds (FCCBs) and / or Preference shares (Cumulative/ Redeemable/ Convertible) and/or Equity Shares (through Depository Receipt Mechanism) and /or any other Financial Instruments convertible into Equity Shares or otherwise, in Registered or Bearer Form and /or Securities with or without detachable Warrants which right excisable by the Warrant holders to convert or subscribe to Equity Shares

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(hereinafter collectively referred to as "Securities") or combination of Securities in one or more tranches, whether Rupee denominated or denominated in Foreign Currency to any person (other than the Promoters of the Company and their relatives) including Foreign / Resident Investors (whether Institutions, Incorporated Bodies, Mutual Funds, Individuals or otherwise), Foreign Institutional Investors, Indian and /or Multilateral Financial Institutions, Mutual Funds, Banks, Insurance Companies, Pensions Funds, Non-resident Indians and /or any other categories of Investors (other than the promoters of the company and their relatives), whether they be holders of shares of the Company or not (collectively called the "Investors") through Public Issue(s) of prospectus, private placement memorandum and/or any other offering memorandum, private placements or combination thereof at such time to times, at such price or prices, at a premium to market price or prices in such manner and on such terms and conditions including security, rate of interest etc., as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of Investors to whom the offer, issue and allotment of the securities shall be made to the exclusion of all other category of investors at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with the Lead Managers, upto an amount not exceeding Rs.62 Crores /US\$ 15.5 Million (approx.) / Euro 10.3 Million (approx.) or its equivalent in any other Foreign currency including Green Shoe option, if any, for such amount within the aforesaid amount as determined by the Board inclusive of such premium as the Board has its absolute discretion may deem fit upon such terms and conditions as may be decided by the Board from time to time in the interest of the company.

RESOLVED FURTHER that without prejudices to the generality of the Board the aforesaid securities may have such features and attributes or any terms or combination of terms in accordance with International practice and to provide for the tradability or pre-transferability thereon as per the prevailing practices and regulations in the capital market including but not limited to terms and conditions in relation to payment of interest, additional interest, premium on redemption, pre-payment and any other debt service payments whatsoever including terms for issue of additional Securities and the Board be and is hereby authorized at its absolute discretion in such manner as it may deem fit, to dispose off such of the Securities as are not subscribed.

RESOLVED FURTHER that the Board be and is hereby authorized to issue and allot such number for Equity Shares as may be required to be issued and allotted upon conversion of redemption or cancellation of any securities or as may be necessary in accordance with the terms of offering, all such Shares ranking paripassu with the existing Equity Shares of the Company in all respect.

RESOLVED FURTHER that i) the securities so offered, issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and ii) and that the Board be and is hereby authorized to fix the relevant date for determination of the applicable price.

RESOLVED FURTHER that the Board be and is hereby authorized to appoint Lead Managers, Underwriters, Guarantors, Depositors, Custodians, Registrars, Trustees, Bankers, Advisors (Legal, Financial or otherwise) and all such agencies as may be involved or concerned in such offerings of such Securities and to remunerate them by way of Commission, Brokerage, Fees or the like and also to enter into and execute all such arrangements, agreements, memoranda, documents etc., with such agencies and to seek the Listing of such Securities on one of the National and /or International Stock Exchange(s) as decided by the Board of Directors.

RESOLVED FURTHER that such other Securities and /or Securities representing the same and/or Equity Shares to be issued, that are not subscribed to, may be disposed off by the Board to such persons and in such manner and on such terms as the Board /Committee may its absolute discretion may think fit as permissible under applicable Law.

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RESOLVED FURTHER that for the purpose of giving effect to any issue or allotment of Securities and/or securities representing the same and/or Equity Shares, as described herein above, the Board, be and is hereby authorized, on behalf of the Company, to do all such acts, deeds, matters and things at its discretion deemed necessary or desirable for such purpose, including without limitation, the utilization of the issue proceeds entering into underwriting, indemnification, escrow, marketing and depository arrangements in connection with the issue of Securities and with power on behalf of the company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.

RESOLVED FURTHER for the purpose of giving effect to any issue or allotment or Security and/or securities representing the same and/or Equity Shares, as described hereinabove, the Board be and is hereby authorized on behalf of the company to authorize any person or persons to jointly or singly negotiate, finalise, issue, execute, sign and /or deliver any and all documents, agreements, writings, issue receipts, certificates and undertakings and execute /sign/deliver any other instruments/letters/undertakings/receipts/writings in issue or allotment of Securities and/or securities representing the same and /or Equity Shares as described hereinabove (whether pre or post the issue).

RESOLVED FURTHER that subject to the above the Board be and is hereby authorized do all acts, deeds, matters and things and to settle any questions or difficulties that may arise in regard to the issue(s) made in terms hereof without being required to seek any further consent or approval of the Members or otherwise to the end or intent that the Members shall be deemed to have given their approval thereto expressly or by the authority of this resolution.

RESOLVED FURTHER that for the purpose of giving effect to the above resolution the Board be and is hereby authorized and empowered to delegate all or any of the powers herein conferred to any Committee of the Directors and/or any Whole-time Director(s) and /or any Officer(s) of the Company.

10) SPECIAL RESOLUTION:

ALTERATION OF MEMORANDUM:

To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution (TO BE VOTED ON ONLY BY POSTAL BALLOT PURSUANT TO SECTION 192A OF THE COMPANIES ACT, 1956 READ WITH (PASSING OF RESOLUTION BY POSTAL BALLOT) RULES, 2001):

“RESOLVED that in accordance with the provisions of Section 16 and other applicable provisions if any, of the Companies Act, 1956, the Memorandum of Association of the company be and the same is hereby altered in the following manner :-

By inserting the following new Clauses under “ Other Objects ” :

Activities in Realty Sector

25. To promote, own, develop, establish, manage projects either by itself or in association with any other person, company or firm in the realty sector in the nature of industrial, residential, commercial and amusement complexes, Townships, Malls, residential units and condominium and to maintain, let on lease/rent or sell such complexes, Townships, Malls, residential units and condominium and to purchase, own, take on lease land for the purpose.

Special Economic Zones

26. To promote, develop, set up, operate, manage (either by itself or in association with any other person(s), firm(s) or companies) Special Economic Zones in respect of any type of industry, activity as notified from time to time by the Ministry of Commerce & Industry, Government of India and to purchase, own, take on lease land for the purpose.

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**Hotels and Resorts**

27. To own, acquire, establish, develop, manage (either by itself or in association with any other person(s), firm(s) or companies) Hotels, Resorts and allied activities and to purchase, own, take on lease land for the purpose.

Bio-Technology, NanoTechnology & other high end technology activities

28. To own, acquire, establish, develop, manage (either by itself or in association with any other person(s), firm(s) or companies) Bio-Technology Parks, Laboratories, Companies & firms in the Bio-Technology, Nano-Technology and other high end technology areas and to purchase, own, take on lease land for the purpose.

Setting up, acquisition of other businesses in India & outside India

29. To establish, purchase, take over, manage, control, undertake or otherwise acquire any business in India and outside India either in part or in entirety carried on by any individual, firm, joint family or body corporate and in particular to purchase or otherwise acquire from such business, rights, properties and as such including plants, machinery, lands, buildings, goodwill, liabilities and obligations and to pay the vendors in suitable manner.

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

Place: Bangalore
Date: 31.10.2007

(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 and attendance slip are enclosed.
- 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. A Separate Postal Ballot Form (with instructions on its use) is also enclosed to enable the members to exercise their vote in respect of proposed business at sl.no.10 of this notice.
- E. The Register of Members and Share Transfer Books of the Company will remain closed from 11th December 2007 to 17th December 2007 (both days inclusive)
- F. Members/Proxies attending the meeting are advised to bring the attendance slip duly filled in.
- G. An explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of business listed at item No. 5 to 10 above is annexed.
- H. *Members holding shares in physical mode under more than one folio are advised to have all such shares consolidated into a single folio by sending a request letter together with the original shares certificates in respect of such multiple folios, to the Company's Registrar M/s. Alpha Systems Private Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore-560 003.*

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

Place: Bangalore
Date: 31.10.2007

(M.S. MAYYA)
COMPANY SECRETARY

KHODAY INDIA LIMITED

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

ITEM NO: 5

Sri D.V. Tikekar who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 31-1-2007 pursuant to Article 30 of the Articles of Association, holds office only up to the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956. Mr.Tikekar has expressed his willingness to continue in office and Company has also received a notice under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of Director.

Your Board recommends the adoption of resolution for the appointment of Mr.Tikekar.

None of the Directors except Mr.Tikekar is directly or indirectly concerned or interested in the resolution.

ITEM NOS: 6, 7 and 8

- (i) In the Directors' Report for the year 2006-07 members have already been apprised of the Company's significant growth in the last twelve months. As the company's operations have been planned to achieve a higher growth rate both in terms of volumes of existing business through expansion in production facilities and diversification into other business ventures both in India and outside India and in particular in the Realty, Hospitality, Bio-Technology, Nano-Technology & other high end technology sectors and in the Special Economic Zones in India, fresh infusion of funds has become a necessity. To facilitate this, it is proposed to increase the Authorized Capital to enable the Company to raise additional share capital from time to time. The present authorized capital of the company which is Rs. 45 Crores therefore needs to be increased to Rs.100 Crores for this purpose. Accordingly, alterations to the Memorandum and Articles of Association of the Company are proposed to give effect thereof.

Your Directors recommend the resolutions for adoption.

None of the directors is concerned or interested directly or indirectly in these resolutions.

ITEM NO: 9

As already stated, in order to meet requirements of the resources in the long term for expansion of production facilities by installation of additional capital equipments and for diversification into other business ventures, as also to optimize the overall cost of funds, your company wishes to raise funds upto Rs. 62 crores or its equivalent in foreign currency both in the international and domestic market by the issuance of securities to the extent and the manner stated in the resolution.

Such issues and allotment of securities shall be governed by the issue of Foreign Currency Convertible Bond and ordinary Shares (through depository Receipt mechanism) scheme, 1993, the Foreign Exchange Management Act, 1999, the Foreign Exchange Management (Transfer or issue of Securities by a person resident out side India) Regulations 2000 (including any Statutory modifications or re-enactment thereof for the time being in force), and the provisions of section 81 any other applicable provisions of the Companies Act, 1956 as also other Laws, Rules and Regulations that may be in force.

According to the recent amendment to the Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993 (the "FCCB"), the raising of GDRs/ADRs /FCCB issues should be made at a price of not less than the higher of the following averages:

- 1) The average of the weekly high and low of the closing prices of the company's shares quoted on the Stock Exchanges during the six months preceding the relevant date.
- 2) The average weekly high and low for the closing prices of the company's shares quoted on the Stock Exchanges during the two weeks of the preceding the relevant date.

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The relevant date for determination of the price of issue shall be as fixed by the Board of Directors. The securities issued pursuant to the International offerings will be listed on such of those Stock Exchanges in India and/ or other Stock Exchanges outside India as decided by the Board.

The special resolution seeks to give the Board powers to issue Securities in one or more tranches at such time or times, at such price or prices to such Persons including Institutions, Corporate Bodies, Individuals or otherwise as the Board may decide. However, these Securities shall not be issued to the Company's Promoters or their Relatives.

The special resolution, if passed, will have the effect of allowing the Board on behalf of the Company to offer, issue and allot the Securities to any Person other than the Company's Promoters, promoter groups & relatives (whether or not such persons are the existing shareholders of the company).

The Board believes that the proposed issue of securities is in the best interest of the company and recommends the resolution for adoption.

None of the directors is concerned or interested directly or indirectly in this resolution.

ITEM NO: 10

Some time ago, your Company's name was changed from "Khoday Distilleries Limited" to "**Khoday India Limited**" to reflect the diversified nature of business of the Company. The proposed alteration of Memorandum by addition of 5 new clauses is to enable your Company to undertake any type of business venture in general both in India and outside India and in particular in the Realty, Hospitality, Bio-Technology, Nano-Technology & other high end technology sectors and in the Special Economic Zones in India as notified from time to time by the Ministry of Commerce & Industry, Government of India.

Your Board believes that the resolution enabling the Company to undertake diversified business ventures both in India & outside India is in the best interest of the Company and recommends resolution for adoption.

In accordance with Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, consent of the members for this resolution is required to be obtained by means of postal ballot. Accordingly a separate postal ballot form is enclosed for exercising your vote. The Company has appointed Mrs. Akila Ravikrishnan as Scrutinizer for conducting the postal ballot in a fair and transparent manner.

None of the directors is concerned or interested directly or indirectly in this resolution.

By order of the Board
For KHODAY INDIA LIMITED

Place: Bangalore
Date: 31.10.2007

(M.S. MAYYA)
COMPANY SECRETARY

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

Your Directors take pleasure in presenting the 41st Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2007:

FINANCIAL HIGHLIGHTS:

(Rs. in Lakhs)

Particulars	2006-2007	2005-2006
1. Gross Income	16810.79	15447.83
Less: Excise Duty	5613.22	5667.82
2. Net Income	11197.57	9780.01
3. Profit Before Tax	1169.05	(1371.39)
4. Provision for Taxation		
Current Tax	140.00	—
Deferred Tax	—	—
Fringe Benefit Tax	25.46	(20.26)
5. Profit after Tax	1003.59	(1391.65)
ADD : Income Tax for the earlier years.	9.15	9.88
	1012.74	(1381.77)
6. Appropriation		
Dividend	375.91	—
Dividend Tax	63.89	—
Balance carried forward	572.94	(1381.77)
	1012.74	(1381.77)
7. EPS – basic	2.67	(3.70)

REVIEW OF PERFORMANCE:

Your Company has registered a net income of Rs. 111.97 Crores during the year compared to Rs.97.80 Crores of the previous year representing an increase of Rs.14.17 Crores.

Your Directors have pleasure in announcing that the company has successfully made a turn around and has registered a profit after tax of Rs. 10.03 Crores on the back of robust business performance during the year.

Your Directors are optimistic that the company will continue to improve its performance and maximize shareholder value in the years to come.

DIVIDEND:

Your Directors have recommended a dividend of Re.1/- per share for the equity shareholders of the company for the financial year ending March 31st 2007 subject to the approval of the Shareholders at the ensuing Annual General Meeting.

DIRECTORS:

i). In accordance with Article 37(A) of the Articles of Association of the Company, Prof. L.R.Vagale, Director retires by rotation and being eligible has offered to be re-appointed.

ii) Sri.D.V.Tikekar who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 31-1-2007 pursuant to Article 30 of the Articles of Association, holds office only up to the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956. Mr. Tikekar has expressed his willingness to continue in office and the Company has also received a notice under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of Director.