

**BOARD OF DIRECTORS**

Mr. K.L. RAMACHANDRA	CHAIRMAN
Mr. K.L. SRIHARI	VICE CHAIRMAN & MANAGING DIRECTOR
Mr. K.L.A. PADMANABHASA	JOINT MANAGING DIRECTOR
Mr. K.L. SWAMY	EXECUTIVE DIRECTOR
Mr. K.S. GIRIDHAR	DIRECTOR
Prof. L.R. VAGALE	INDEPENDENT DIRECTOR
Major Gen. (Retd.) M.K. PAUL	INDEPENDENT DIRECTOR
Mr. D.V. TIKEKAR	INDEPENDENT DIRECTOR
Mr. B.K. RATNAKAR RAO	INDEPENDENT DIRECTOR
Mr. SUDHAKAR SHETTY	INDEPENDENT DIRECTOR
Mr. R. VENKAT SUBRAMANYAN	COMPANY SECRETARY
M/s. RANGARAJU & ASSOCIATES Chartered Accountants Bangalore	AUDITOR
CANARA BANK PUNJAB NATIONAL BANK DHANALAKSHMI BANK	BANKERS
"Brewery House" 7th Mile, Kanakapura Road Bangalore - 560 062 Ph : 080-22956569	REGISTERED OFFICE



NOTICE

Notice is hereby given that the Forty fourth Annual General Meeting of the members of Khoday India Limited, will be held on Thursday, the 30th September 2010 at 10.30 a.m. at # 67, Hotel Vaishnavi Residency, 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 31st March 2010, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- 2) To appoint a Director in place of Prof. L.R.Vagale who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. Bangra Kulur Ratnakar Rao who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint auditors and fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED that M/s Rangaraju & Associates, Chartered Accountants, Bangalore be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting of the Company on such remuneration as will be fixed by the Board of Directors."

Special Business:

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

RESOLVED THAT pursuant to the provision of section 149(2A) and other applicable provisions, if any of the Companies Act, 1956, the consent of the Company be and is hereby accorded for commencing and undertaking the business activities as embodied in clause 25 of the Other Object Clause III (c) of the Memorandum of Association of the Company as and when deemed fit by the Board of Directors.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds and things as may be deemed expedient and necessary to give effect to this resolution."

6. To consider, if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution;

"RESOLVED that pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded to the Board of Directors of the Company to borrow for the purpose of the Company, a sum or sums of monies (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) not exceeding Rs.250 Crores (Rupees Two hundred and Fifty Crores) over and above the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose."

By order of the Board
for Khoday India Limited

Place: Bangalore
Date : 06-09-2010

(R. Venkat Subramanyan)
Company Secretary

KHODAY INDIA LIMITED

Notes:

- A. A member entitled to attend and vote at the annual general meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member of the Company.
- B. A blank Proxy Form and Attendance Slip are enclosed. 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. Members are requested to bring their attendance slip along with copy of the annual report to the Meeting.
- C. An explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed herein.
- D. Members/Proxies are advised to bring their Attendance slip along with their copy of the Annual Report to the Meeting. Members who hold shares in dematerialized form are requested to write their Client ID / DP ID Nos. and those who hold shares in Physical Form are requested to write their Folio No. in the Attendance slip.
- E. In accordance with Article 37 (A) of the Articles of Association of the Company, Prof.L.R.Vagale and Mr.Kulur Bangra Ratnakar Rao, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The particulars of these Directors as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges are provided in the Corporate Governance Report forming part of the Annual Report. The Board of Directors of the Company commend their respective re-appointment.
- F. Members holding shares in electronic form are requested to intimate immediately of any change in their address to their Depository Participants (DPs) with whom they maintain demat accounts. Members holding shares in physical form are requested to advise any change of address immediately to the Company's Registrar M/s.Alpha Systems Private Limited, 30 "Ramana Residency, 4th Cross, Malleswaram, Bangalore – 560 003 ("Alpha Systems")
- G. The Securities and Exchange Board of India (SEBI) has mandated the submission of Income Tax Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit copy of PAN card to their DP. Members holding shares in physical form can submit copy of PAN card to Alpha Systems.
- H. Members holding shares in physical form under more than one folio are advised to have all such shares consolidated into a single folio by sending a request letter to Alpha Systems together with the original share certificates in respect of such multiple folios.
- I. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 24th September 2010 to Thursday, the 30th September 2010 (both days inclusive)

By order of the Board
for Khoday India Limited

Place: Bangalore
Date : 06-09-2010

(R. Venkat Subramanyan)
Company Secretary



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

ITEM NO: 5:

As the members are aware, your company is primarily engaged in manufacturing of Alcoholic Products and related businesses. Your company has also got surplus land bank. As a strategic decision in congruence with our vision, your company intends to utilize the same for creating value addition through Realty Sector. In this regard, your company is in the process of entering into arrangements with potential parties.

As a matter of expediency, approval of the shareholders in General Meeting by way of a Special Resolution is sought to enable the Directors at such time or times as they may consider appropriate and in the interest of the Company to commence and undertake the business activities specified in the sub clause 25 pertaining to Activities as elaborated above, of other objects Clause (III) (C) of the Memorandum of Association of the Company.

As per provisions of section 149 (2A) of the Companies Act, 1956, approval of the shareholders in General Meeting by way of a Special Resolution is required for commencement of any business as set out in the Other Objects clause of the Memorandum of Association.

Your Board recommends the adoption of the resolution for the commencement & undertaking the business activities as stated above.

None of the Directors are concerned or interested in the resolution.

ITEM NO: 6:

At the 35th Annual General Meeting of the members of the Company held on 28th December 2001, the members had authorized the Board of Directors to borrow moneys for the purpose of the Company not exceeding Rs.150 Crores over and above the paid-up capital and free reserves of the Company. To enable the Board of Directors to borrow fund for meeting additional working capital and other requirements, the borrowing powers given to the Board of Directors have to be increased. Necessary resolution is placed before the Members for approval authorizing the Board of Directors to borrow upto Rs.250 Crores (Rupees Two Hundred and Fifty Crores only) over and above the paid-up capital and free reserves of the Company.

Your Board recommends the adoption of the resolution for increasing the borrowing powers.

None of the Directors is concerned or interested in the resolution.

By order of the Board
for Khoday India Limited

Place: Bangalore
Date : 06-09-2010

(R. Venkat Subramanyan)
Company Secretary

KHODAY INDIA LIMITED

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors take pleasure in presenting the 44th Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2010:

FINANCIAL HIGHLIGHTS (Standalone) :

(Rs. in Lakhs)

Particulars	2009-2010	2008-2009
1. Gross Income	31785.25	24215.61
Less: Excise Duty	17061.40	11625.22
2. Net Income	14723.85	12590.39
3. Profit Before Tax	(675.18)	(289.09)
4. Provision for Taxation		
Current Tax	—	—
Fringe Benefit Tax	—	29.69
5. Profit after Tax	(675.18)	(318.78)
ADD : Income Tax for the earlier years	131.06	—
LESS : Prior year adjustments	(13.85)	(29.69)
6. Net Profit for the year	(557.97)	(348.47)
7. Appropriation		
Dividend	—	—
Dividend Tax	—	—
8. Balance carried forward	501.17	1059.14
	501.17	1059.14
9. EPS – basic & diluted	(1.48)	(0.93)

REVIEW OF PERFORMANCE:

Even though your Company's gross income has registered an increase of about 31% over the previous year, a loss of Rs.5.57 Crores has been incurred during the year mainly on account of hike in the quantum of excise duty payment owing to enhanced rates of duty and considerable increase in the overall cost of production. However, there is a significant increase in the value of stock under maturation process, the revenue from which will be realized in due course.

DIVIDEND:

Your Directors regret the inability to recommend any dividend in view of the loss incurred by the Company during the financial year.

DIRECTORS:

In accordance with Article 37(A) of the Articles of Association of the Company, Prof. L.R.Vagale and Mr.Bangra Kulur Ratnakar Rao, Directors retire by rotation and being eligible have offered to be re-appointed.

AUDITORS:

M/s Rangaraju & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a letter from them to the effect that their reappointment, if made, would be within the prescribed limits u/s 224(1B) of the Companies 1956, and that they are not disqualified for such reappointment within the meaning of Section 226 ibid.



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 at Annexure 'A'.

PARTICULARS OF EMPLOYEES UNDER THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

A statement containing the particulars of employees in terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 is attached as Annexure 'B' and forms an integral part of this Report.

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

CORPORATE GOVERNANCE:

A separate section on Corporate Governance is included in the Annual Report. The Company has complied with the requirements of Corporate Governance as stipulated in clause 49 of the Listing Agreement. The Certificate obtained from the Company's Auditors on compliance with Corporate Governance requirements is annexed thereto.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors further report that:-

- i. in the preparation of the annual accounts, the applicable accounting standards had been followed and that there were no material departures;
- ii. the accounting policies selected by them were applied consistently, judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March 2010 and of the loss of the Company for the period ended 31st March 2010;
- iii. they have 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. the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS:

Your Directors thank the customers, vendors, investors, bankers, financial institutions, Central and State Governments for their continued support and co-operation extended to the Company.

for and on behalf of the Board of Directors
for KHODAY INDIA LIMITED

Date: 06-09-2010
Place: Bangalore

K.L. RAMACHANDRA
CHAIRMAN

KHODAY INDIA LIMITED

Annexure “A” to Directors’ Report

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

FORM – A (See Rule 2)

1. Conservation of Energy :-

- Optimum plant load factor was ensured during the manufacturing cycle resulting in considerable savings in energy costs.
- Procurement of power from private producer at competitive prices resulted in savings in power costs.
- Fans, lights and other electrical devices were switched off when not in use thereby achieving energy saving to a considerable extent.
- Replacement of capacitors resulted in better power factor and the resultant savings in power costs.

PARTICULARS	31-03-2010	31-03-2009
	Glass	Glass
A. POWER & FUEL CONSUMPTION		
– Electricity		
(a) Units Purchased KWH	7172560	6912540
Amount (Rupees in ‘000s)	35669	31998
Rate per Unit (in Rs.)	4.97	4.63
(b) Own Generation :		
Through Diesel Generators		
Units Produced KWH	16470	127809
Rate per Unit (in Rs.)	12.48	12.58

B. CONSUMPTION PER UNIT OF PRODUCTION

	Electricity		Furnace Oil		LP Gas		HSD Oil	
	31-3-2010	31-3-2009	31-3-2010	31-3-2009	31-3-2010	31-3-2009	31-3-2010	31-3-2009
Glass / MT	539.27 units	459.42 units	295.40 Ltrs	231.46Ltrs	26.62 Kgs	25.42 Kgs	3.71 Ltrs	4.59 Ltrs

FORM – B (See Rule 2)

2. RESEARCH AND DEVELOPMENT EFFORTS :

No significant Research and Development activities were undertaken by the Company during the year.

3. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

a) Significant improvement in achieving better oil to glass ratio continues to be made as part of overall plans for improving better productivity through innovative adaptation of KTG Technology of United Kingdom.

b) Imported Technologies have been fully absorbed.

4. Foreign Exchange Earnings & Out Go

[in Rs. 000s]

PARTICULARS	31-03-2010	31-03-2009
A. FOREIGN EXCHANGE OUT GO	3211	1743
B. FOREIGN EXCHANGE EARNINGS	8062	4866



Annexure "B"

INFORMATION REQUIRED TO BE FURNISHED UNDER THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Name of employee	Designation	Remuneration recd. during the financial year 1st April 2009 to 31st March 2010 in Rs: (inclusive of perquisites)	Nature of employment, i.e whether contractual or otherwise	Other terms and conditions of employment	Qualifications & experience (no. of years)	Date of commencement of employment	Age of the employee	The last employment held before joining the Company	No. of equity shares of the Company held by the employee in his name, in the name of spouse & dependent children
Satpal Chaudhry	Chief Operations Officer-Sales & Marketing,	28,55,520/-	Contractual	As per Service Rules of the Company	M.Tech (Industrial), B.E. (Mechanical) 40 years	01 st March 2007	63 yrs	C.E.O" Himmel Breweries Limited, Delhi	NIL
K. Srikishen	Vice President (Corporate)	28,06,935/-	Contractual	As per Service Rules of the Company	Practical and Technical Experience in Alcoholic Industry 45 years	01 st January 1965	70 yrs	—	300

Notes: The above mentioned employees are not related to any of the Directors of the Company.

KHODAY INDIA LIMITED

ANNEXURE TO DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS

1. **Industry structure and developments:** The alcoholic beverages Industry in India is made up of Indian Made Foreign Liquor (IMFL), Beer, Wine, Country Liquor and imported alcoholic beverages. The IMFL segment of the Industry recorded a growth of about 9% during the year and your Company has kept pace with this rate of growth. The Company's premium brands of IMFL such as "Peterscot" & "Red Knight Select" and "Red Knight Reserve" brands of whisky enjoy market share of about 2%. The product distribution in most states is managed through the respective State Beverages Corporation.
2. **Opportunities and threats:** Though the alcoholic beverages Industry in general was by and large spared of the slow down following global recession, the recovery in various sectors of Economy has had a positive impact on the growth of the Industry. The projected GDP growth of 8.5% for 2010-11 provides the right impetus for the continued growth momentum of alcoholic beverages industry. However, the continuing increase in taxes which constitute nearly 2/3rds of shelf price of the premium brands, the absence of uniform rates of taxes and the diverse policies of the state governments on marketing and the restriction on advertising in both the print and electronic media are the major dampeners for higher rates of growth. The consistent reduction in custom duties on imported spirits resulting in easy availability of multinational brands constitutes another challenge for the Company.
3. **Segment wise/ product wise performance:** The revenue for the Company was generated through business operations in the product segments of Liquor, Glass & "Others" comprising miscellaneous activities. The Liquor segment clocked a revenue of Rs.290.55 Crores during the year registering an increase of Rs. 75.40 Crores over the previous year. The revenue generated from the Glass segment is Rs.22.63 Crores, which represents a decrease of about 8% year on year. Similarly, the miscellaneous operations ("Others" segment) registered a revenue of Rs.1.94 Crores accounting for a decrease of Rs.0.13 Crores year on year.
4. **Outlook:** The IMFL segment of the industry in particular is expected to register a growth of about 10% and your Company has plans to improve sales volumes during 2010-11 by around 15% year on year.

Business risks and mitigatory efforts: The business risks for the Company could be broadly classified as follows:

- (i) Raw material procurement :- the risk of non-availability of extra neutral alcohol in adequate quantities is managed through forward contracts for uninterrupted supplies.
- (ii) Timely and adequate availability of working capital:- Being in the non-priority sector under the Government policy, the Company faces the twin risk of timely availability of funds in adequate measure as also the high the cost of borrowing from banks, which are managed through a close monitoring of the working capital needs and timely borrowing through hard negotiations with the lenders by the top management on a regular basis.
- (iii) Product prices and competition :- The Company operates in a highly competitive business environment characterized by availability of various products both domestically produced and imported, at different price points. The risk from competitive product pricing is managed through adherence to high quality standards and product differentiation