



**BOARD OF DIRECTORS**

<b>Mr. K.L. RAMACHANDRA</b>	CHAIRMAN
<b>Mr. K.L. SRIHARI</b>	VICE CHAIRMAN & MANAGING DIRECTOR
<b>Mr. K.L.A. PADMANABHASA</b>	JOINT MANAGING DIRECTOR
<b>Mr. K.L. SWAMY</b>	EXECUTIVE DIRECTOR
<b>Mr. K.R. NITHYANAND</b>	DIRECTOR
<b>Mr. K.H. GURUNATH</b>	DIRECTOR
<b>Mr. K.S. GIRIDHAR</b>	DIRECTOR
<b>Prof. L.R. VAGALE</b>	INDEPENDENT DIRECTOR
<b>Major Gen. (Retd.) M.K. PAUL</b>	INDEPENDENT DIRECTOR
<b>Mr. B.K. RATNAKAR RAO</b>	INDEPENDENT DIRECTOR
<b>Mr. SUDHAKAR SHETTY</b>	INDEPENDENT DIRECTOR
<b>Mr. P.R. ANANDA MURTHY</b>	INDEPENDENT DIRECTOR
<b>Mr. D.V. SATHYANARAYANA</b>	INDEPENDENT DIRECTOR
<b>Mr. D. PRABHAKARA RAO</b>	INDEPENDENT DIRECTOR
<b>Mr. R. VENKAT SUBRAMANYAN</b>	COMPANY SECRETARY
<b>M/s. RANGARAJU &amp; ASSOCIATES</b> Chartered Accountants Bangalore	AUDITOR
<b>CANARA BANK</b> <b>PUNJAB NATIONAL BANK</b> <b>DHANALAKSHMI BANK</b>	BANKERS
<b>"Brewery House"</b> 7th Mile, Kanakapura Road Bangalore - 560 062	REGISTERED OFFICE
<b>M/s Integrated Enterprises (I) Ltd</b> No:30, "Ramana Residency" 4 <sup>th</sup> Cross, Sampige Road, Malleswaram, Bangalore-560 003 Tel : 080- 23460815 -18 Email : irg@integratedindia.in	REGISTRAR & SHARE TRANSFER AGENTS



## NOTICE

Notice is hereby given that the Forty Seventh Annual General Meeting of the members of Khoday India Limited, will be held on Monday the 30<sup>th</sup> December 2013 at 11.30 a.m. at Shravanthi Kalyana Mantapa, Doddakallasandra, Kanakapura Main Road, Bangalore-560 062, to transact the following business:

### Ordinary Business:

- 1) To receive, consider and adopt the standalone and consolidated audited Balance Sheet of the Company as at 31<sup>st</sup> March 2013, the Statement of Profit and Loss 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.B.K.Ratnakar Rao who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint a Director in place of Maj.Gen(Retd.) M.K.Paul who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr.D.V.Sathyanarayana who retires by rotation and being eligible, offers himself for re-appointment.
- 6) 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:

Alteration of Articles of Association :

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

“RESOLVED that pursuant to Section 31 and other applicable provisions if any, of the Companies Act, 1956, or re-enactment thereof for the time being in force, Article 3 (A) 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(A) and substituting the following new Article 3(A):

3 (A). The Company shall have the power to increase its share capital pursuant to Section 94 of the Act, by means of ordinary resolution in General Meeting and shall also have the power to reduce its share capital by special resolution in General Meeting in any manner as specified in Section 100 of the Act.,

Reduction of Paid-up Equity Share Capital :

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



"RESOLVED that pursuant to Section 100 read with Sections 101 to 105 and other applicable provisions of the Companies Act, 1956 and subject to confirmation of the Hon'ble High Court of Karnataka at Bangalore and other appropriate authorities, if applicable, the paid-up equity share capital of the Company be and is hereby reduced from the existing amount of Rs.37,59,12,370/- (Rupees Thirty Seven Crores Fifty Nine Lakhs Twelve Thousand Three Hundred and Seventy only) consisting of 3,75,91,237 equity shares of Rs.10/- each fully paid-up to Rs.33,66,01,950/- ( Rupees Thirty Three Crores Sixty Six Lakhs One Thousand Nine Hundred and Fifty only) consisting of 3,36,60,195 equity shares of Rs.10/- each fully paid-up, by paying off the equity share capital of Rs.3,93,10,420/- ( Rupees Three Crores Ninety Three Lakhs Ten Thousand Four Hundred and Twenty only) and by consequential cancellation of 39,31,042 equity shares of Rs.10/- each fully paid –up, held by shareholders / persons other than those belonging to promoters/ promoter group of the Company.

RESOLVED FURTHER that the Procedure of Reduction of Share Capital formulated by the Company for the purpose as aforesaid, be and is hereby approved.

RESOLVED FURTHER that subject to confirmation of the Hon'ble High Court of Karnataka at Bangalore as aforesaid, consent be and is hereby accorded for the Company to apply to Bombay, Madras and Bangalore Stock Exchanges, for the consequential delisting of equity shares, where they are listed at present.

RESOLVED FURTHER that for the purpose of giving effect to the above Resolution, the Board of Directors, any Committee appointed by the Board of Directors or any other person authorized by the Board of Directors, be and is hereby authorized to do and perform all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the subject matter of the above Resolution as it may in its absolute discretion deem fit and proper."

By order of the Board  
**for Khoday India Limited**

Place: Bangalore  
Date : 5th November 2013

(R. Venkat Subramanyan)  
*Company Secretary*

**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 /Proxies are requested to bring their attendance slip along with their copy 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. A Postal Ballot Form together with a Business Reply Envelope have been mailed separately to enable the Members to exercise their vote in respect of the Special Resolutions at Sl. No. 7 & 8 of the Notice.
- F. In accordance with Article 37 (A) of the Articles of Association of the Company, four Independent Directors viz., Prof.L.R.Vagale, Mr.D.V.Sathyanarayana, Mr.B.K.Ratnakar Rao and Maj.Gen.(Retd.) M.K.Paul 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 commends their respective re-appointments / appointments.
- G. 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.Integrated Enterprises (India) Limited, 30, “Ramana Residency, 4<sup>th</sup> Cross, Malleswaram, Bangalore – 560 003. (email : [irg@integratedindia.in](mailto:irg@integratedindia.in))
- H. 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 M/s Integrated Enterprises (India) Limited.
- I. The Register of Members and Share Transfer Books of the Company will remain closed from Monday the 23<sup>rd</sup> December 2013 to Monday the 30<sup>th</sup> December 2013 (both days inclusive)

By order of the Board  
**for Khoday India Limited**

Place: Bangalore  
Date : 05th November 2013

(R. Venkat Subramanyan)  
*Company Secretary*



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

Item No: 7 & 8 :

### **Alteration of Articles of Association, Reduction of Paid-up Share Capital and consequential delisting of shares:**

The Company formulated a Procedure involving reduction of paid-up equity share capital under Section 100 of the Companies Act by paying off the equity share capital held by the shareholders other than those belonging to the promoters / promoter group of the Company and submitted the same to the Designated Stock Exchange viz., BSE Limited, on 3<sup>rd</sup> May 2013, in compliance with the requirements under Circular CIR/CFD/DIL/5/2013 dated 04<sup>th</sup> February 2013 and CIR/CFD/DIL/8/2013 dated 21<sup>st</sup> May 2013 issued by the Securities and Exchange Board of India (SEBI). The said Procedure (earlier mentioned at that time as "Scheme") is enclosed for perusal by the Shareholders.

Subsequently, BSE Limited vide its letter No: DCS/AMAL/PS/24(f)/ 230/2013-14 dated 6<sup>th</sup> September 2013, communicated its inability to grant 'No Objection' to the Procedure in view of the comments of SEBI in that regard.

The letter dated 6<sup>th</sup> September 2013 of BSE Ltd and the Company's point-wise response thereto are enclosed to enable the public shareholders to arrive at an informed decision on the proposed resolution for approval of the Procedure of Reduction of Share Capital.

The Procedure has been formulated in accordance with the provisions of Section 100 of the Companies Act, and is subject to the approval by the shareholders of the Company by means of a special resolution to be passed at the ensuing Annual General Meeting through Postal Ballot and through manual voting by the shareholders either personally present or through proxy and particularly ***in such a manner that the no. of votes cast by the shareholders other than the Promoters / Promoter Group i.e., the Public shareholders, in favour of the Procedure is more than the no. of votes cast by the public shareholders against it*** and is further subject to confirmation by the Hon'ble High Court of Karnataka at Bangalore upon a petition that may be filed by the Company. The resolution also proposes to enable the Company to apply for consequential delisting of its equity shares from Bombay, Madras and Bangalore Stock Exchanges, where they are listed at present.

The Company has appointed Mr.G.Nagaraju, Practicing Company Secretary as Scrutinizer for conducting the postal ballot process in a fair and transparent manner. The shareholders are requested to carefully read the instructions printed in the Postal Ballot Form and return the Form duly completed, in the attached self-addressed envelope so as to reach the Scrutinizer on or before 23<sup>rd</sup> December 2013. The Scrutinizer will submit his report to the Chairman after completion of the scrutiny and the results of the Postal Ballot will be announced at the Annual General Meeting scheduled to be held on 30<sup>th</sup> December 2013.

The resolution at item no: 7, concerning alteration of Article 3 (A) of Articles of Association is to enable the Company to undertake the Procedure of Reduction of Share Capital.

Your Directors commend the special resolutions at item no: 7 & 8 as contained in the notice.



## **PROCEDURE FOR REDUCTION OF SHARE CAPITAL**

This procedure for Reduction of paid-up equity Share Capital is presented under Section 100 read with Sections 101 to 105 of the Companies Act, 1956 ("The Act") for paying off the equity share capital held by the shareholders other than those belonging to the promoters/promoter group of the Company, by reduction of proportionate paid-up equity share capital and cancellation of the corresponding equity shares of the face value of Rs.10/- (Rupees ten only) of Khoday India Limited and issue of cash warrant to the shareholders, entitled thereto, in lieu of such cancelled shares ("Procedure").

### **1. Definitions :**

In this Procedure, unless inconsistent with the subject or context, the following expressions shall have the following meanings.

- 1.1 "Act" means the Companies Act, 1956.
- 1.2 "Board" means the Board of Directors of the Company.
- 1.3 "Company" means Khoday India Limited, a Company incorporated under the Act, having its Registered Office presently at "Brewery House", 7<sup>th</sup> Mile, Kanakapura Road, Bangalore-560 062.
- 1.4 "Court" means the Hon'ble High Court of Karnataka at Bangalore.
- 1.5 "Cash Warrant" means any instrument issued under the Procedure for payment in lieu of cancellation of each share, as consideration fixed, pursuant to the Procedure.
- 1.6 "Date of cancellation" means the 7<sup>th</sup> day of the record date or any such succeeding date, if such 7<sup>th</sup> day of the record date is a "public holiday", being the date on which the Board cancels the equity shares held by persons other than those belonging to the promoters and promoter group and issues cash warrant to such shareholders pursuant to this Procedure.
- 1.7 "Designated Stock Exchange" means BSE Limited, (Bombay Stock Exchange) Mumbai.
- 1.8 "Equity Share" means equity share of Rs.10/- (Rupees Ten only) each in the Company.
- 1.9 "Effective Date" means the date on which the Certified copy(ies) of the order(s) of the Court passed under Section 102 of the Act, is/are filed with the Registrar of Companies, Karnataka, Bangalore, pursuant to Section 103 *ibid* .
- 1.10 "Promoters/Promoter Group" means the persons holding equity shares of the Company and as detailed in the statement submitted to the Stock Exchanges at quarterly intervals, in compliance with Clause 35 of the Listing Agreement.
- 1.11 "Public Shareholders" means the persons holding equity shares of the Company other than those belonging to Promoters/Promoter Group.
- 1.12 "Record Date" means the date (subsequent to the "Effective Date") to be fixed by the Board or a committee constituted by a Board or the date up to which the Register of Members of the Company is closed pursuant to Section 154 of the Act after confirmation of reduction of paid –up share capital by the Court.
- 1.13 "Shareholder" means a person who is registered as a member in the Register of Members of the Company as on the record date as well as those persons whose names appears as the beneficial



owner of the shares in the records of the Depositories on the record date. For the purposes of this Procedure each folio in the Register of Members will be treated as a separate shareholder.

- 1.14 "Shareholding" means the holding of equity shares by a shareholder under the registered folio in the Register of Members as well as by the beneficial owner whose name appears in the records of the Depositories.

### 2. Preamble of the Procedure:

- 2.1 The Company was incorporated on 28<sup>th</sup> day of September 1965 as Private Limited Company under the name and style of "Khoday Distilleries Private Limited", under the Companies Act, 1956, in the State of Karnataka. Subsequently, the Company changed its status to Public Limited Company on 5<sup>th</sup> June 1986 and its equity shares were listed on Bombay, Bangalore and Madras Stock Exchanges with effect from 29<sup>th</sup> September 1986. The name of the Company was changed to "KHODAY INDIA LIMITED", pursuant to the fresh certificate of incorporation dated 14<sup>th</sup> February 1992 issued by the Registrar of Companies, consequent on change of name.
- 2.2 The Registered Office of the Company is situated at "Brewery House", 7<sup>th</sup> Mile, Kanakapura Road, Bangalore-560 062.
- 2.3 The Authorized share capital of the Company is Rs.45,00,00,000/- (Rupees Forty five crores only) divided into 4,50,00,000/- (Four crore fifty lakhs) Equity Shares of Rs.10/- (Rupees Ten only) each. The issued, subscribed and paid-up equity share capital of the Company is 37,59,12,370/- (Rupees Thirty seven crores fifty nine lakhs twelve thousand three hundred and seventy only) divided into 3,75,91,237 (Three crores seventy five lakhs ninety one thousand two hundred and thirty seven) equity shares of Rs.10/- (Rupees Ten only) each fully paid up.]
- 2.4 Up to the financial year 2003-04 the paid up capital of the Company was Rs.14,51,43,140/- (Rupees Fourteen crores fifty one lakhs forty three thousand one hundred and forty only) divided into 1,45,14,314 (One crore forty five lakhs fourteen thousand three hundred and fourteen) equity shares of Rs.10/- (Rupees Ten only) each fully paid up, and listed on the Stock Exchanges. Pursuant to a Scheme of amalgamation of Khodayss Systems Limited with the Company during the financial year 2003-04, 2,30,76,923 (Two crores thirty lakhs seventy six thousand nine hundred and twenty three) equity shares were allotted to the Promoters and Promoter group of the Company. The Company's application for listing of the said equity shares is pending consideration before the Designated Stock Exchange.
- 2.5 The main objects of the Company are set out in Clause III A of the Memorandum of Association of the Company.
- 2.6 The Company commenced its business inter-alia, in dealing in manufacture and sale of Indian made liquors of various types and generally to carry on the business of manufacturers, dealers, importers and exporters of liquors, and has been carrying on the same since obtaining Certificate of Incorporation.
- 2.7 As per the audited financial results for the financial year ended 31<sup>st</sup> March 2013, the Company has incurred a loss of Rs.23,12,47,090/- (Rupees Twenty three crores twelve lakhs forty seven thousand and ninety only).



28. The Shareholding pattern comprised in the issued, subscribed and paid-up capital of the Company as at 31<sup>st</sup> March 2013 is as follows:

Category	No. of shares held	% of issued, subscribed and paid-up capital
Promoters and Promoter Group	3,36,60,195	89.54
Other than Promoters and Promoter Group (Public)	39,31,042	10.46

Distribution of shares of the Company listed on the Stock Exchanges as at 30<sup>th</sup> September 2013 is as follows:

Range of Shares	Physical	Demat	Total
1 - 500	911009	854397	1765406
501 - 1000	33800	287562	321362
1001 - 5000	12673	683510	696183
5001 - 10000	-	348433	348433
10001 & ABOVE	90100	709558	799658
<b>Total</b>	<b>1047582</b>	<b>2883460</b>	<b>3931042</b>

Demat means the shares dematerialized with National Securities Depository Limited (NSDL) and also with Central Depository Services India Ltd (CDSL) and physical means shares that have not been dematerialized.

Though the shares allotted by the Company in its initial public offer during 1986 were in the physical mode, subsequently, on Securities and Exchange Board of India (SEBI) making it mandatory for the Company's shares to be traded in the Stock Exchanges only in the Dematerialized mode, about 72% of the listed shares held by the public were converted into dematerialized mode and the balance of about 28% of the shares are in physical mode. Even then, the shares held by the public are not actively traded on Bombay Stock Exchange and there has been a complete absence of trading of the shares on Bangalore and Madras Stock Exchanges during the previous 4 financial years as confirmed in the letters of the respective Stock Exchanges.





The extremely low trading volumes on Bombay Stock Exchange is borne out by the following data \* :-

Calendar year	Volume of equity shares traded	Monthly average traded volume	Average monthly trading volume as percentage of Listed shares	Average monthly trading volume as % of shares held by public
2009	20,48,401	1,70,700	1.17	4.34
2010	37,20,669	3,10,055	2.13	7.88
2011	8,22,310	68,526	0.47	1.74
2012	22,70,045	1,89,170	1.30	4.81
2013 (up to 6 <sup>th</sup> November 2013)	9,01,625	90,163	0.62	2.29

\* Source : website of BSE. Ltd.

Apparently, the average monthly volume of trading of the Company's shares on BSE during the previous 4 calendar years as well as during the ten months of 2013, has been less than 3% of the listed shares and less than 8 % of the shares held by public. Further from 2011 a marked declining trend in the trading volumes is noticed.

- From the public shareholders' perspective, there has been no dividend earning on the Company's shares during the immediately preceding six consecutive financial years (2007-08 to 2012-13) and the trading volumes of the Company's shares on Bombay Stock Exchange are extremely low (there being complete absence of trading on Bangalore and Madras Stock Exchanges), thereby rendering the holding of Company's shares an unattractive proposition. The following table gives data on the Earnings Per Share as disclosed in the audited balance sheet and profit and loss account of the Company for the immediately preceding five financial years:

Financial Year	Earning Per Share (Rs.)
2007-08	2.22
2008-09	(0.93)
2009-10	(1.48)
2010-11	(3.55)
2011-12	4.22
2012-13	(6.15)

With a view to mitigate the hardship faced by its public shareholders in the above scenario and make investible funds available to them, the Company has formulated the following Procedure under Section 100 read with Sections 101 to 105 of the Act.



4. Objective of the Procedure:

- 4.1 The objective of the Procedure is to provide an exit opportunity to the shareholders of Company other than those belonging to the promoters/promoter group.
- 4.2 The Procedure is conceived with the object to result in the public shareholders getting back their investment in capital together with a premium that is higher than the fair value of the shares of the Company as at 30<sup>th</sup> September 2013 as also the average of the weekly high and low quoted price of the Company's share on Bombay Stock Exchange during the 26 weeks period from 06<sup>th</sup> May 2013 to 01<sup>st</sup> November 2013.
- 4.3 The Fair Value per equity share of the Company as at 30<sup>th</sup> September 2013 is Rs.30.49 ( Rupees Thirty and paise forty nine only) as per the annexed Certificate dated 30th October 2013 issued by an Independent Chartered Accountant M/s N.C.Rajagopal & Co., Chennai.
- 4.4 The average of the weekly high and low quoted price of the Company's share on Bombay Stock Exchange during the period of 26 weeks from 06<sup>th</sup> May 2013 to 01<sup>st</sup> November 2013 is Rs.50.64/- (Rupees Fifty and paise sixty four only)..
- 4.5 The Procedure envisages paying off the shareholders other than the promoters/promoter group of the Company, the paid-up capital amount of Rs.10/- (Rupees ten only) for every 1 (One) equity share together with a premium of Rs.65/- (Rupees Sixty five only) thereon, aggregating to Rs.75/- (Rupees Seventy five only) for every 1 (One) equity share, pursuant to a reduction of the proportionate paid-up equity share capital of Rs.3,93,10,420/- (Three crores ninety three lakhs ten thousand four hundred and twenty only) under Section 100 of the Act, and automatic cancellation of the corresponding 39,31,042 (Thirty nine lakhs thirty one thousand and forty two) equity shares of the face value of Rs.10/- (Rupees Ten only) without the requirement of any action from the public shareholders, subject the Procedure being approved by the shareholders and the confirmation by the Court in the manner specified in paragraph 11 herein.
- 4.6 The premium of Rs.65/- (Rupees Sixty five only) to be paid together with the return of capital of Rs.10/- (Rupees Ten only) for every 1 (One) equity share cancelled pursuant to the Procedure, will be paid by the Company.
- 4.7 Thus the aggregate price of Rs.75/- (Rupees Seventy five only) to be paid for every one equity share cancelled pursuant to the Procedure, will be 2.46 times its fair value as at 30<sup>th</sup> September 2013 and 1.48 times the 26 weeks' average of the weekly high and low prices of the share as quoted on BSE during the period from 06<sup>th</sup> May 2013 to 01<sup>st</sup> November 2013.
- 4.8 The Procedure is basically designed to help the public investors' at large, so as to enhance liquidity in their hands and thus stimulate investment and trading activities in the capital market.
- 4.9 The Procedure will not affect in any manner the rights and interests of the creditors and employees of the Company.

5. Method of payment:

- 5.1 The Company shall pay consideration @ Rs.75/- (Rupees Seventy five only) for every 1 (One) equity share held by shareholders other than those belonging to the promoters and promoter group, within 30 days from the Date of Cancellation, as follows:
  - i) in respect of resident shareholders holding shares in demat mode, by directly crediting the amount of consideration to their bank account as provided to the respective depository participant, with prior intimation to the shareholders in that regard.