

Khoday India Limited

DISTILLERS, BREWERS & MALTSTERS

Regd. Office : "BREWERY HOUSE" 1st Stage, Kanakapura Road
 BANGALORE-560092

ANNUAL REPORT FOR THE FINANCIAL YEAR 2016-17

DIRECTORS' REPORT

Your Directors present the 51st Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2017:

Financial Highlights (Stand Alone):

(Rs.in Lakhs)			
Sl.No.	Particulars	2016-17	2015-16
1.	Revenue from operations	14767.32	20039.83
	Other Income	397.39	271.27
2.	Total Revenue	15164.71	20311.10
3.	Profit /(Loss) before exceptional items and Tax	(862.43)	319.45
4.	Exceptional items	-	-
5.	Profit / (Loss) after exceptional items but before tax	(862.43)	319.45
6.	Provision for Taxation Current Tax	-	-
7.	Profit/(Loss)after Tax LESS: Income Tax for the earlier years LESS: Prior year adjustments	(862.43) 1.46 -	319.45 1.01 -
8.	Net Profit/(Loss)for the year	(863.89)	318.44
9.	Appropriation Dividend Dividend Tax	- -	- -
10.	Balance carried forward	(863.89)	318.44
11.	EPS – Basic & Diluted	(2.57)	0.95

Review of performance:

The Company has registered net income of Rs.151.64 Crores, which represents a decrease of about 25.34 % over the previous year. This has adversely impacted the financials, resulting in the net loss of Rs.8.63 crores.

Dividend:

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

Change in nature of business, if any and material changes and commitments:

There has been no change in the nature of business during the financial year. So also there has been no material change and commitments between 31st March 2017 and 07th June 2017, impacting the financial position of the Company.

Details of significant and material Orders passed by Regulators / Courts :

a) Reduction of paid-up equity share capital :-

During June 2014, the Company filed a petition numbered 132/2014 before the Hon'ble High Court of Karnataka at Bangalore praying for an Order confirming the special resolution passed by the members at the Annual General Meeting held on 30th December 2013 for reduction of paid-up equity share capital by cancelling 39,31,042 shares held by the public, under Section 100 read with Sections 101 to 105 of the Companies Act, 1956.

The Hon'ble Court vide its Order dated 07th August 2014, allowed the Company's petition by confirming the said special resolution. Upon filing a certified copy of the said Order with the Registrar of Companies in Karnataka, Bangalore, the Registrar issued the Certificate of Registration dated 12th September 2014, for alteration by reduction of the paid-up equity share capital from Rs.37,59,12,370/- to Rs.33,66,01,950/- . Consequently the entire paid-up share capital of the Company presently held by its promoters and persons belonging to the promoter group. In compliance with the procedure approved by the Court vide the said Order, the Company has deposited the entire sum of Rs.29.48 Crores payable in respect of the shares so cancelled, in a Special Account opened with Punjab National Bank, L C Branch, Bangalore.

Subsequently , about 4 weeks thereafter, Securities and Exchange Board of India (SEBI), filed multiple applications before the same Court for (i) impleading itself in the Company's petition and (ii) recall and stay of the Order dated 07-08-2014, which were all dismissed by the Court vide its subsequent Order dated 21-09-2015. Although SEBI has filed an appeal before the Division Bench of the same Court, which is pending adjudication, the said Order has not been stayed and is in force as an Order-in-rem.

In the mean while, the Company's consistent efforts to implement the Court's Order by fixing the Record Date first on 29-09-2014 and subsequently on 10-10-2014, 07-12-2014, 07-04-2015, 22-06-2015 and 13-10-2015 for the purpose of drawing up the list of erstwhile public shareholders entitled to payment in respect of the shares so cancelled, have not so far been accepted by BSE Limited, reportedly at the instance of SEBI. Therefore the Company has filed an application during July 2016 before the Hon'ble High Court of Karnataka, seeking to implead BSE Ltd in COP 132/2014 and a direction to it to accept the fresh Record Date that may be fixed by the Company. The Company Judge who heard the said application on 01-06-2017, has ordered issue of notice to BSE Ltd.

The Orders of the Court as detailed above, do not impact the going concern status of the Company.

Even though the Company has not been able to effect payment in respect of cancelled shares in dematerialized mode owing to the procedural impediment of non acceptance of Record Date (fixed by the Company in six attempts) by BSE Ltd, considering that the company has been receiving incessant and anxious queries from the persons entitled to payment and in view of the fact that the Order dt.07.08.2014 passed by the Hon'ble High Court of Karnataka in COP 132/2014 in the matter of Reduction of paid-up equity share capital, is in force as Order-in-Rem and there were no legal and/or procedural impediment to effect payment in respect of cancelled shares held only in physical mode by the erstwhile public shareholders of the Company. In the backdrop of anxious queries, received from the erstwhile public shareholders regarding the delay in payment due to them, the Committee of Board of Directors on Reduction of Capital, at its meeting held on 13-03-2017 decided to effect payment to those erstwhile public shareholders who surrender their original share certificates in respect of cancelled shares held in physical mode. Pursuant to the opportunity extended as above, payment amounting to Rs.11,19,825/- has so far made in respect of 14,931 cancelled shares held in physical mode out of the sum of money of Rs.29.48 Crores deposited in the Special Account.

b) Listing Agreement with stock exchanges

The Company has complied with the requirements of regulatory authorities on capital markets and no penalties have been imposed during the last three years. However, in the matter of compliance with the requirement of minimum public shareholding under Rule 19 (2)(b) and 19(A) of Securities Contract (Regulation) Rules 1957, read with Clause 40(A) of the erstwhile Listing Agreement and Regulation 38 of SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015, SEBI vide its final order dated 24th July 2014 confirmed its interim order dated 04th June 2013, vide which i) the voting right in respect of shares held by the persons in the promoters/ promoter group of the Company was frozen and restricted to 1/3 of the entitlement, i.e. to the extent of 31.38 % ii) the buying and selling or otherwise dealing in securities of the Company held by the promoters was prohibited and iii) the promoters and directors of the Company were restrained from holding any new position as a director in any listed company. The Appeal filed by the Company before Securities Appellate Tribunal, on the strength of the Order dated 07th August 2014 (as reinforced vide the subsequent Order dated 21-09-2015) passed by the Hon'ble High Court of Karnataka, was disposed off by SAT vide its Order dated 07-07-2016, with a direction to SEBI to consider a fresh representation to be filed by the Company in the matter. Pursuant to the said Order, the Company filed a detailed representation before SEBI on 27-07-2016 and a personal hearing was held in the matter on 08-11-2016, before the Whole-time Member. A written submission, summing up our pleadings in the hearing has also been filed subsequently. Thereafter, the Whole-time Member has passed an Order on 08-05-2017 disposing off the Company's representation by confirming final Order of SEBI dt: 24-07-2014. The Company's management has decided to file a fresh appeal before SAT challenging the said Order dated 08-05-2017 of SEBI.

Internal Control Systems:

The Company has an adequate system of internal financial controls and procedures commensurate with the size and nature of business. These procedures are designed to ensure that all the assets are safeguarded, protected against loss and all transactions authorized, recorded and reported correctly. The internal control systems of the Company are monitored, reviewed and evaluated periodically by the members of the Audit Committee.

Deposits:

The Company did not accept any deposits from the public during the year. Further, there were no outstanding deposits pending repayment.

Directors :

Changes in Directors:

The Board records its profound grief and sorrow, the sad and untimely demise of Mr.K.L.Srihari, Vice-Chairman and Managing Director of the Company, on 31-10-2016, after a period of illness.

Mr.Srihari as a dynamic and versatile businessman with philanthropic disposition who not only provided inspiring leadership for Khoday India Limited but was also the pivot of the diversified businesses of 51 other Companies, 17 Partnership Firms and 2 Family Trusts in the Khoday Group. Mr.Srihari was solely entrusted with the responsibility of treasury management for Khoday India Ltd, other Companies, Firms and Trusts in the Khoday Group of businesses.

The Board places on record its sincere and deep appreciation of the invaluable contributions made by Mr.Srihari as Vice-chairman & Managing Director of Khoday India Limited.

Re-appointment of directors retiring by rotation:

In accordance with Article 37(A) of the Articles of Association of the Company Mr.K.L.Ramachandra and Mr.K.S.Giridhar the Non-Executive Directors retire by rotation and being eligible have offered to be re-appointed at the ensuing Annual General Meeting.

The particulars of the above Directors proposed to be re-appointed are given in the separate section relating to report on Corporate Governance.

Appointment of Company Secretary as also the Chief Financial Officer:

Pursuant to Section 203 of the Companies Act, 2013, read with Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, which mandates the appointment of Chief Financial Officer for a Listed Company, Mr.R.Venkat subramanyan, Company Secretary has been appointed as Company's Chief Financial Officer w.e.f. 07-06-2017 and consequently re-designated as Company Secretary and Chief Financial Officer on the existing terms and conditions of appointment including remuneration for the time being.

Form No. AOC-2

(Pursuant to *clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014*)

Form AOC – 2, giving details of transactions with related parties, is attached to this report.

Whistler Blower Mechanism :

The Company has a Whistler Blower Policy in place for vigil mechanism., as mandated by Regulation 4(2)(d)(iv) of SEBI (LO&DR) Regulations 2015.

Statutory Auditors :

It is proposed to appoint Mr.G.S.Ravikumar, Chartered Accountant as Statutory Auditors of the Company for a term of 5 consecutive years, in place of the erstwhile Statutory Auditors, M/s Rangaraju and Associates, whose appointment ceases at the ensuing Annual General Meeting, upon completion of their maximum tenure as prescribed under Section 139 (2) of the Companies Act, 2013. Mr.G.S.Ravikumar, has furnished the certificate of eligibility for his appointment as required under Section 141 of the Act.

Secretarial Auditor

The provisions of Section 204 read with Section 134(3) of the Companies Act, 2013, mandates Secretarial Audit to be conducted from the financial year commencing on or after 1st April 2016 by a Company Secretary in Practice. The Board at its meeting held on 13-02-2017 has therefore appointed Mr.G.Nagaraju (Certificate of Practice No. 4025) as the Secretarial Auditor for the financial year ended 31st March 2017. The Secretarial Auditor's Report for the financial year ended 31st March 2017 is annexed to this Board's Report.

Transfer to Investor Education & Protection Fund

The Company does not carry any amount representing unpaid and unclaimed dividend, unpaid interest on debentures, unpaid deposits etc., of the nature specified under Section 125 of the Companies Act, 2013.

Share Capital

As stated in the foregoing paragraphs, the Hon'ble High Court of Karnataka at Bangalore vide its Order dated 07-08-2014, confirmed the special resolution passed by the members at the Annual General Meeting held on 30th December 2013 for reduction of paid-up equity share capital by canceling 39,31.042 shares held by the public, under Section 100 read with Sections 101 to 105 of the Companies Act, 1956. Upon registration of the said Order by the Registrar of Companies in Karnataka, Bangalore, vide Certificate dated 12th September 2014, the paid-up equity share capital of the Company stands reduced from Rs.37,59,12,370/- to Rs.33,66,01,950/-, divided into 3,36,60,195 equity shares of Rs.10/-each . The entire paid-up share capital of the Company is presently held by its promoters and persons belonging to the promoter group.

Details of Managerial Remuneration pursuant to Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014:-

During the financial year, the Company did not pay any remuneration to any of its executive , non-executive and independent directors, excepting sitting fee paid to independent directors for attending meetings of the Board and the Committees thereof. The details of sitting fee paid are given in Corporate Governance Report annexed hereto.

There were 385 permanent employees on the rolls of the Company as at 31st March 2017.

No employee of the Company was in receipt of a remuneration exceeding Rs.5 lakhs per month or Rs.60 Lakhs per annum during the financial year.

During the financial year, no increase was effected in the salary of Chief Operations Officer, Company Secretary or any Manager of the Company.

It is affirmed that the remuneration paid to the employees at all levels is as per the remuneration policy of the company.

Particulars of loans, guarantees or investments:

During the financial year the Company has not given any loan or extended any guarantee to any person. So also no fresh investment of the nature specified in Section 186 of the Companies Act, 2013, was made by the Company.

Conservation of energy, technology absorption, foreign exchange earnings and outgo, if any:

The information with respect to Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo is furnished at Annexure 'A'.

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 as Annexure "B" to the Director's Report. The Company has complied with the requirements of Corporate Governance as stipulated in Regulation 27 of the SEBI (LO&DR) Regulations 2015. The Certificate obtained from the Company's Auditors on compliance with Corporate Governance requirements is annexed thereto.

Directors' Responsibility Statement:

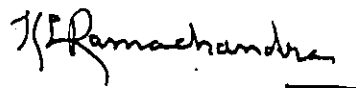
Pursuant to the provisions of Section 134 (5) of the Companies Act, 2013, (the Act) your Directors state that:-

- i. in the preparation of the annual accounts, the applicable accounting standards have 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 2017 and of the loss incurred by the Company for the period ended the said date;
- iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, 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.
- v. the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- vi. the Directors devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgements:

Your Directors thank the customers, vendors, 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: 07th June 2017
Place: Bangalore

K.L.Ramachandra
Chairman

Annexure "A" to Directors' Report

1. Conservation of Energy:-

- Optimum plant load factor was ensured during the manufacturing cycle resulting in considerable savings in energy costs.
- Fans, lights and other electrical devices were switched off when not in use thereby achieving energy saving to a considerable extent. Regular lighting is increasingly being switched to LED lamps.
- Replacement of capacitors resulted in better power factor and the resultant savings in power costs.

2. RESEARCH & DEVELOPMENT EFFORTS: No Research & Development activities were undertaken by the Company during the year.

3. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

The Company did not introduce any new technology in its manufacturing process during the year.

(in Rs.000s)

4. FOREIGN EXCHANGE EARNINGS AND OUTGO

PARTICULARS	31-03-2017	31-03-2016
A.FOREIGN EXCHANGE OUT GO	33170	12480
B. FOREIGN EXCHANGE EARNINGS	994	1244

Khoday India Limited

FORM NO. AOC -2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arms length transaction under third proviso thereto.

A majority of the transactions entered into by the Company with the related parties during the financial year 2016-17 are in the nature of sales / purchase / service transactions, for which prior approval has been accorded during February 2014 by the Regional Director, South Western Region, Ministry of Corporate Affairs at Hyderabad, under section 297 of the Companies Act, 1956, for a period of 3 years i.e. upto 31st January 2017. For the transactions in respect of remaining period of two months i.e. February and March 2017 the value of each of the transactions was well within the limits as specified under the Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2014 (as amended vide notification GSR 590E dt. 14-08-2014), read with SEBI Circular CIR/CFD/POLICY CELL/2/2014 dated 17-04-2014, the Audit Committee of Directors at its meeting held on 14-11-2016, accorded its prior approval for the same.

So also as regards the Related Party Transactions other than those stated supra, the Audit Committee of Directors at its meeting held on 31-03-2016 has accorded its prior omnibus approval. It is to be noted herein that the value of each of them is well within the limits as specified under the Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2014 (as amended vide notification GSR 590E dt. 14-08-2014), read with SEBI Circular CIR/CFD/POLICY CELL/2/2014 dated 17-04-2014.

1. Details of contracts or arrangements or transactions not at Arm's length basis.

SL. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	Nil

2. Details of contracts or arrangements or transactions at Arm's length basis.

Name(s) of the related party & nature of relationship	Nature of contracts/ arrangements / transaction	Duration of the contracts/ arrangements / transaction	Salient terms of the contracts or arrangements or transaction including the value, if any (Rs.)	Date of approval by the Audit Committee/ Board	Amount paid as advance, if any
Khoday's Breweries Ltd - KMP able to exercise significant influence	Sale of goods	12 months	1344133	31-03-2016	0

Khoday Industries Pvt Ltd - KMP able to exercise significant influence	Sale of goods	12 months	442043	31-03-2016	0
Cassanova Distilleries Pvt Ltd - KMP able to exercise significant influence	Sale of goods	12 months	6116432	31-03-2016	0
Rammohan and Company Pvt Ltd - KMP able to exercise significant influence	Availment of Service	12 months	351398	31-03-2016	0
Khoday Control Systems Pvt Ltd - KMP able to exercise significant influence	Purchase of Goods and Services	12 months	4509	31-03-2016	0
L K Trust - KMP able to exercise significant influence	Lease rent paid	12 months	1165256	31-03-2016	0
L K Trust - KMP able to exercise significant influence	Purchase of Goods and Services	12 months	24625	31-03-2016	0
Khoday's Breweries Ltd - KMP able to exercise significant influence	Lease rent received	12 months	689500	31-03-2016	0
Blendwell Bottlers Pvt Ltd -KMP able to exercise significant influence	Lease rent paid	12 months	900000	31-03-2016	0