Khoday India Limited

Regd.Office: 'Brewery House', 7th Mile, Kanakapura Road, Bangalore-560 062

Khoday India Limited has recently noticed certain bloggers' comments hosted on Money Control.com website, expressing an opinion that the price proposed to be offered to the Company's public shareholders pursuant to a procedure of Reduction of Capital under the Companies Act , is inadequate , keeping in view the Company's supposedly large land holding worth several thousands of crores of rupees in Bangalore. The clarification sent by the Company refuting such comments has not been published by the administrators of the said website for reasons best known to them.

The Company reiterates that it owns only two parcels of land totaling 7 Acres & 25 Guntas in Bangalore and NOT hundreds of acres , as casually stated by the bloggers.

The details of land owned by the Company are given below:

i) **One parcel of land admeasuring 4 acres and 10 guntas, on which the Company's manufacturing facility is located in Kannayakana Agrahara, Anjanaura Post, Bangalore District. The shifting of Company's facility to another location is economically unviable and therefore the enhanced value of this parcel of land is only notional.**

ii) **Another parcel of land admeasuring 3 acres and 15 guntas on Kanakapura Road, on which joint development of the property had been contemplated, but which has run into snag due to a notice issued by Bangalore Metro Rail Corporation Limited, requesitioning a portion of the said land. The proposed joint development is hence inordinately delayed.**

The revalued amount of land comprised in both the aforesaid properties have been taken in to consideration for the purpose of computing the Fair Value of the equity share of the company in the Valuation Report dated 30th October 2013 issued by the Independent Chartered Accountant M/s N.C.Rajagopal & Co., The Certificate forming part of the said report has been reproduced at page 14 of the Company's Annual Report for the financial year 2012-13.

The bloggers' comments are obviously based on the presumptions, conjectures and surmises that the other parcels of land in Bangalore held by the various individual members of the Khoday familly and other Khoday Group companies ,belong to the Company !!

The Company has incurred financial losses in the four out of the immediately preceding five financial years, i.e. during the period from 2008-09 to 2012-13 and even during the first six months of the current financial year it has posted accumulated loss of Rs.8.80 crores. It is pertinent to note that the losses have been entirely met through unsecured loans given to the Company by its Promoter Directors, who incidentally have not drawn any remuneration at all from the Company, till date.

The mounting losses are due to increasing raw material prices and falling market share of the Company's products. The twin adverse factors have brought the Company perilously close to being declared a sick unit under the provisions of Sick Industrial Companies Act.

From the public shareholders' perspective, no dividend has accrued to them on their investment in the Company's shares for six consecutive financial years.

The proposed Procedure of Reduction of Paid-up Share Capital under Section 100 of the Companies Act, 1956, has been formulated in the above scenario, to provide an exit opportunity to the Company's public shareholders and thus make investible funds available in their hands. The financial commitment of Rs. 25.55 crores representing the premium @ Rs.65/- per equity share payable under the Procedure, will be met by the Company notwithstanding its inadequate reserves, through adequate funds to be brought in by the Promoters.

The public shareholders will note that the aggregate consideration of Rs.75/- per equity share, payable under the proposed Procedure is 2.46 times the fair value of Rs.30.49 of the Company's share as at 30th September 2013 and 1.48 times to the 26 weeks average of the weekly high and low price of the Company's share price as quoted on Bombay Stock Exchange during the period 06th May 2013 to 01st November 2013.

Furthermore, the premium of Rs. 65/- to be paid for every share held by the public shareholders is in the nature of deemed dividend, which will be tax-free in their hands, since the income-tax liability on the same will be met by the Company.

The Company therefore exhorts its public shareholders to consider the factual details given above as well as in its Annual Report for the financial year 2012-13, and take an informed decision in exercising their vote on the proposed resolutions set out in the Notice convening the Annual General Meeting on 30th December 2013.

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