



**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 and a self addressed and pre-paid Business Reply Envelope are kept to enable the members to exercise their vote in respect of the special resolutions as at sl. nos. 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 20<sup>th</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.

3. 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.



- ii) in respect of resident shareholders holding shares in physical mode, the consideration shall be paid by either crediting their bank account as provided to the Company's Registrar and Share Transfer Agents or by despatch of cash warrant to the registered address of such shareholders by registered post / speed post.
- iii) in respect of non-resident shareholders holding shares in demat mode, the consideration shall be credited to their bank account in India as provided to the respective depository participant, subject to requisite approval, if any of Reserve Bank of India to be obtained under the Foreign Exchange Management Act, 1999
- iv) in respect of non-resident shareholders holding shares in physical mode, the consideration shall be paid by either crediting their bank account as provided to the Company's Registrar and Share Transfer Agents or by despatch of demand drafts in foreign currency (USD) to the registered address of such shareholders by registered air mail, subject to requisite approval, if any of Reserve Bank of India to be obtained under the Foreign Exchange Management Act, 1999.
- v) The aggregate amount of consideration Rs.29,48,28,150/- (Rupees Twenty nine crores forty eight lakhs twenty eight thousand one hundred and fifty only) payable under the Procedure, shall be deposited by the Company in a Special Account to be opened with a bank for the purpose within seven days of admission of the petition of the Company, by the Court.

5.2 The cash warrants as may be issued by the Company shall be payable at par at all locations at which the Stock Exchanges exist and also at as many branches of the paying bank as practicable and situated nearest to the address of the shareholders. In the event of any shareholder opting for payment of consideration by demand draft at any place, such shareholder shall surrender the said cash warrant to the Company and the Company shall, within seven days of such surrender arrange for issue of demand draft.

5.3 Those of the cash warrants which could not be encashed on or before its validity period, shall on its surrender, be revalidated or a fresh demand draft be arranged by the Company within seven days of receipt of any request in that behalf from the registered shareholder.

6. Implication under the Income Tax Act, 1961:

Out of the aggregate amount of consideration Rs.75/- (Rupees Seventy five only) for every one equity share cancelled pursuant to the Procedure, the Company shall discharge the tax liability on the premium amount of Rs.65/- (Rupees Sixty five only) under Section 115-O of the Income Tax Act, 1961 and the balance amount of Rs.10/- (Rupees Ten only) representing the return of capital on reduction of paid-up equity share capital of the Company, shall be subject to tax on capital gains, if any, in the hands of the shareholder under Section 45 of the Income Tax Act, 1961.

7. Intimation to Stock Exchanges:

The Company shall, at any time after the Record Date but before effecting cancellation, submit to the Stock Exchanges on which its equity shares are listed, a Certificate from a Practicing Company Secretary, furnishing the particulars of equity shares proposed to be cancelled pursuant to the Procedure by furnishing the relevant details such as name of the shareholder whose equity shares are to be cancelled (both physical and demat form), the distinctive nos. and share certificate nos. of such equity shares in physical form.





8 Continuation of business activities:

Upto the Effective Date, and also on from the "Effective date", the Company shall be deemed to carry on all its business activities in the ordinary course of its business and the reduction in its paid-up equity share capital will not in any manner affect its financial position

9. Enforcement of contracts, deeds and bonds:

9.1 Save and except as expressly provided in this Procedure, nothing containing in the Procedure shall affect any contract, deed, bond, agreement and other instruments of whatsoever nature to which the Company is a Party and which is subsisting or having effect on the "Effective Date" and shall remain in full force and effect against or in favor of the Company and may be enforced fully and effectively.

9.2 The Procedure shall not materially affect in any manner, the rights and interest of creditors and employees of the Company.

10. Reduction of paid-up Equity Share Capital: and consequential cancellation of equity shares.

On and from the Date of Cancellation, the following shall come into effect:-

10.1 The Issued, Subscribed and Paid-up Equity Share Capital of the Company shall stand reduced to Rs.33,66,01,950/- (Rupees Thirty three crores sixty six lakhs one thousand nine hundred and fifty only) divided into 3,36,60,195 (Three crores thirty six lakhs sixty six thousand one hundred and ninety five) of Rs.10/- (Rupees ten only) each .by automatic cancellation of 39,31,042 (Thirty nine lakhs thirty one thousand and forty two) equity shares of the Company held by the public shareholders and extinguishing of liability in respect of the shares so cancelled..

10.3 This Procedure is presented under Sections 100 to 105 of the Act and in accordance with the procedures prescribed 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).

10.4. In compliance with the aforementioned SEBI circulars , the Company vide its letter dated 2<sup>nd</sup> May 2013, submitted to BSE Limited the draft of the Procedure (earlier mentioned at that time as "Scheme") together with the prescribed documents, for its observation thereon.

10.5. In response, BSE Limited vide its e-mail communication dated 25-07-2013 informed the Company that it had issued its No Objection to the proposed Procedure and forwarded the same to SEBI in accordance with the SEBI Circulars as aforesaid.

10.6. But later, BSE Ltd vide its letter No: DCS/AMAL/PS/24(f)/230/2013-14 dated 06<sup>th</sup> September 2013 communicated its inability to grant its 'No Objection' in view of the comments of SEBI in that regard. Subsequently, based on the legal opinion, the Company is presenting this Procedure for approval of its shareholders.

10.7. The said letter of BSE Limited, the Company's point-wise response thereto and the legal opinion are enclosed. The said response also been field by the Company with SEBI vide its letter dated 10<sup>th</sup> September 2013.

11. This Procedure is specifically conditional upon and subject to :-

a) The approval by the shareholders of the Company by means of a special resolution passed at the 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 number 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 number of votes cast by the public shareholder against it.

- b. the confirmation of the Court for a petition to be filed by the Company under Section 101 of the Act, subsequent to the approval by the shareholders in the manner stated in para 11 (a) supra and order(s) of the Court being obtained under the Act, and certified copy of the order(s) of the Court allowing the petition, being filed by the Company with the Registrar of Companies, Karnataka, Bangalore.
  - c) the sanction or approval, if any, under any law or of the Central Government or any other person or Authority concerned being obtained and granted in respect of any of the matters provided for or relating to the procedures detailed herein above, for which such sanction or approval is required.
12. Upon the confirmation of the Court, it shall have the effect of having obtained the sanction / approval of the Court pursuant to the provisions contained in Section 100 to 104 of the Act dealing with reduction of capital and all other consequential and incidental compliances as contemplated under the Act
13. Pursuant to confirmation of the Court, it will be lawful for the Company to apply to Bombay, Bangalore and Madras Stock Exchanges for the consequential delisting of its equity shares already listed on the said Exchanges.
14. Authority of Directors:

For the purpose of giving effect to this Procedure or to any modification or amendments thereof, the Board or any Committee of Directors of the Company or any person duly authorized in that behalf may give all such directions as are necessary or desirable including directions for settling or resolving any question, doubt or difficulty arising under the Procedure or in regard to its implementation or in any manner connected therewith and such determination or directions as the case may be, shall be binding on all parties, in the same manner as if the same are specifically incorporated in this Procedure.
15. Costs and Expenses:

All costs, charges and expenses, registration fees of or in respect of any deed, document, instrument or orders of the Court in relation to or in connection with this Procedure or incidental to implementation and completion of this Procedure, shall be borne and paid by the Company.



**N.C. RAJAGOPAL & CO.,**  
CHARTERED ACCOUNTANTS

**Partners:**

N.C. SUNDARARAJAN, F.C.A.  
G.N. GOPALARATHNAM, B.Sc., F.C.A., DISA  
V. ANANTHARAMAN, B.Com., F.C.A.  
M.V. RENGARAJAN, N.D.COM., F.C.A.



22, V. KRISHNASWAMY AVENUE,  
LUZ CHURCH ROAD, MYLAPORE,  
CHENNAI - 600 004.

SUMITHRA RAVICHANDRAN, B.Sc., F.C.A.  
N.C. VIJAYKUMAR, B.Com., F.C.A., DISA  
V. CHANDRASEKARAN, B.Com., F.C.A.  
N. SUNDAR, B.Sc., F.C.A., DISA

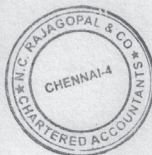
Ref:

Date:

**CERTIFICATE**

We hereby certify that the fair value of Equity Shares of Khoday India Limited having its registered office at "Brewery House", 7<sup>th</sup> Mile, Kanakapura Road, Bangalore - 560 062 computed under the various methods is Rs. 30.49 per share. The effective date of valuation is 30<sup>th</sup> September 2013.

For N.C. Rajagopal & Co.,  
Chartered Accountants



*V. Chandrasekaran*  
V. Chandrasekaran  
(Partner)

Place: Chennai  
Date: 30<sup>th</sup> October 2013

Phone : +91 44 2499 1569 / 2499 3056, 2499 1095  
2498 7746 / 2498 6170  
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Branches at : Chennai - 6, Salem & Erode



BSE Limited Registered Office : Floor 25, P J Towers, Dalal Street, Mumbai 400 001 India  
T: +91 22 2272 1234 / 33 F: +91 22 2272 1003 www.bseindia.com



Ref: DCS/AMAL/PS/24(f)/230/2013-14

September 6, 2013

The Company Secretary  
Khoday India Limited  
Brewery House 7th Mile,  
Kanakpura Road, Bangalore,  
Karnataka – 560 062.

Dear Sir

Sub: Observation letter regarding the Scheme of Arrangement involving Reorganization of Share Capital of Khoday India Limited (KIL).

We refer to your submissions of draft Scheme of Arrangement involving reduction of equity share capital of the company held by the shareholders other than Promoter/promoter Group under clause 24(f) of the Listing Agreement.

As required under SEBI Circular No.CIR/CFD/DIL/5/2013 & No.CIR/CFD/DIL/8/2013 dated February 4, 2013 & May 21, 2013 respectively, SEBI vide its letter dated August 30, 2013 has given the following comments on the draft scheme of arrangement:

- i. It may be noted that quasi judicial proceedings are pending against KIL since an Interim Order has been passed by wholetime member, SEBI, under section 11(1), 11(2)(i) and 11B of SEBI Act, 1992 on June 4, 2013 for non-compliance with the requirement of minimum public shareholding.*
- ii. The scheme provides for reduction of share capital to the extent of public shareholding only and the company has clearly mentioned its intention of consequential delisting from the Stock Exchanges after the scheme of reduction of capital gets implemented.*
- iii. Therefore, the scheme of arrangement does not appear to be in the interest of the investors on the account of the following reasons:*
  - a) any company desirous of delisting its equity shares has to obtain prior approval of the shareholders of the company by a special resolution passed thru the postal ballot after the disclosure of all the material facts. However, similar provisions are not applicable in the case of the reduction of the capital. Thus the shareholders would be forced to exit without their consent.*
  - b) As per the regulation 14(1) of the SEBI (Delisting of Equity Shares) Regulations, 2009 (hereinafter "Delisting Regulations"), in the process of the delisting, all the public shareholders are entitled to participate in the book-building process in the manner specified in the Schedule II of the Delisting Regulation, which leads to the fair price discovery. However, the price to be paid to the public shareholders thru the reduction of the capital may not be fair since there is no provisions of the price discovery mechanism. This might put to the public shareholders in the disadvantageous position since they might not be able to get the best price for existing the company.*



- c) *Thus, it appears that the company is trying to circumvent the delisting regulations thru the said scheme of arrangement.*

In view of the above observations by SEBI, the Exchange is unable to grant its 'No-Objection' to the draft Scheme of Arrangement filed by the company.

Further you are advised to bring the contents of this letter to the notice of your shareholders, all relevant authorities, as deemed fit and also include the above observations in the filings to be made the Honorable High Court.

Yours faithfully,

Bhushan Mokashi  
Asst.Gen.Manager

Bhuvana Sriram  
Dy. Manager





Company's point-wise response to SEBI's Observation communicated vide BSE Limited's Letter No.DCS / AMAL/PS/24(f)/230/2013-14 dated 06<sup>th</sup> September 2013,

### **Company's response to para III (a) :**

The SEBI's comments are incorrect both in law and on facts for the following reasons:-

At para 10.3 of the proposed Procedure, it is specifically stated that it is presented under 100 to 105 of the Companies Act, 1956 and in accordance with the procedures prescribed SEBI Circular CIR/CFD/DIL/5/2013 dated 04<sup>th</sup> February 2013.

Para 5.16 of the said Circular (amended subsequently vide Circular dated 21<sup>st</sup> May 2013) specifically requires Listed companies to inter-alia obtain shareholders' approval by a special resolution passed through postal ballot (e-voting is not applicable for the Company), in such a manner that the Scheme shall be acted upon by the company, only if the votes cast by public shareholders in favour of the proposal is more than the number of votes cast by public shareholders against it.

So also, Section 100 of the Companies Act specifically stipulates passing of a special resolution by the shareholders of a company before the company files a petition for reduction of capital before the High Court of competent jurisdiction. Moreover, any reduction of capital involves alteration of Articles of Association of the company which requires passing of a resolution by the shareholders through Postal Ballot as mandated by 'The Companies (passing of resolution by Postal Ballot) Rules 2011'.

Further Para 11 (a) of the Procedure provides for obtaining approval of the shareholders of the Company by means of a special resolution passed at the General Meeting through Postal Ballot and through manual voting by the shareholders attending the Annual General Meeting particularly in such a manner that the number of votes cast by the shareholders other than the Promoters / Promoter Group i.e., the Public shareholders in favour of the Scheme is more than the number of votes cast by the public shareholders against it.

Hence, it is reiterated that a petition seeking sanction for our proposed Scheme will be filed before the High Court of Karnataka, **only after obtaining the consent of the requisite majority of the public shareholders.**

### **Company's response to paras III (b) & (c):**

Under the SEBI (Delisting of Equity Shares) Regulations 2009, the Promoter of a company desirous of delisting its shares is required to acquire shares from the public through an "Exit Offer" by fixing a "floor price" which shall not be less than the 26 weeks' average of the weekly high and low closing prices of the Company's shares as quoted on the recognized Stock Exchange and thereafter provide an opportunity to the public shareholders to bid for a price higher than the floor price by participating in a book building process.

Unlike the price band of 20% stipulated for an initial public offer by a company at para 3.5 of SEBI Disclosure and Investor Protection Guidelines 2000, the book building process under Delisting Regulations does not envisage any restriction on the price that may be bid for by the public shareholders. Regulation 17 of the said Regulations stipulates that an "Exit Offer" will be considered successful only if the Promoter acquires shares from the public equivalent to at least 50% of the offer size. Regulation 16 also provides that a Promoter shall not be bound to accept the equity shares at the offer price determined by the book building process.

Considering the absence of any price band prescribed over and above the floor price, and in the event of public shareholders bidding for a price not acceptable to the Promoters and / or in the event of the Promoters failing to acquire at least 50% of the shares through the book building process, the Exit Offer fails, notwithstanding the effort and expenses incurred by the promoter to facilitate the "Exit Offer" procedure.



Khoday India Limited has over 15,000 public shareholders widely distributed all over India as well as outside India and considering (i) the supervening impossibilities related to the practical aspects involved in the delisting process and (ii) the prevailing market conditions and thin volume of trading in its shares, the Promoters do not expect to acquire the prescribed minimum of 50% of the shares from the public shareholders in an "Exit Offer".

As regards the price of Rs.75/- per one equity share payable under the Scheme, it is re-iterated that the said price 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 the 26 weeks' average of the weekly high and low price of the Company's share price as quoted on the Bombay Stock Exchange, during the period 06<sup>th</sup> May 2013 to 01<sup>st</sup> November 2013.

Further, attention of the public shareholders is invited to the Fairness Opinion Report dated 17<sup>th</sup> April 2013, issued by the Category-1 Merchant Banker, M/s Corporate Professionals Capital Private Limited, certifying the Company's proposal to be fair and reasonable from the perspective of the public shareholders of the Company. This document has been hosted on the Company's website 'khodayindia.com'.

Considering the above reasons and circumstances, the Company submits that its proposal is not only fair, just and reasonable for the public shareholders, but also provides them a quicker and effective exit opportunity.



**JOSITA JURIS**

Advocates & Legal Consultants

# 76, Level II,  
Brigade Road  
Ashok Nagar  
Bangalore - 560025  
Mobil +91 9663633744

29<sup>th</sup> October 2013,

The Board of Directors  
Khoday India Limited  
'Brewery House', 7<sup>th</sup> Mile,  
Kanakapura Road,  
Bangalore-560 062

Sirs,

Sub:- Legal Opinion on the Procedure prepared by the Company pursuant  
to Section 100 read with Sections 101 to 105 of the Companies Act,  
1956.

We have perused the papers submitted by your Company, seeking an opinion on  
the proposed Procedure for Reduction of Paid-up Equity Share Capital of the  
Company drafted pursuant to Section 100 read with Sections 101 to 105 of the  
Companies Act, 1956.

We note that the present Procedure of Reduction of Share Capital is essentially  
the same as the one for which we had given our opinion earlier, but without the  
citing of Sections 391 to 393 of the Companies Act, relating to a Scheme of  
Arrangement.

We understand that subsequent to our earlier opinion dated 17<sup>th</sup> April 2013, the  
Company, on 3<sup>rd</sup> May 2013, submitted the said Scheme to BSE Limited – the  
Designated Stock Exchange, where the Company's equity share are listed and  
traded. We have perused the e-mail communication dated 25-07-2013 BSE  
Limited to the Company informing that it had issued its No Objection to the  
Company's proposal and forwarded the same to Securities and Exchange Board



**JOSITA JURIS**

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of India (SEBI) in accordance with the SEBI Circular CIR/CFD/DIL/5/2013 dated 04<sup>th</sup> February 2013.

We have also perused the subsequent letter No: DCS/AMAL/PS/24(f)/230/2013-14 dated 06<sup>th</sup> September 2013 from BSE Ltd addressed to the Company, surprisingly informing its inability to grant its 'No Objection' to the proposal in view of the comments of SEBI in that regard. We note that, BSE Limited has advised the Company to bring the contents of the said letter to the notice of its Shareholders, all relevant authorities as deemed fit and also include the observation of SEBI, in the filing to be made before the Hon'ble High Court.

We have also perused the Company's letter dated 10<sup>th</sup> September 2013 addressed to SEBI on their comments and are in complete agreement with the contents of the same.

We note that in the draft of the Procedure for Reduction of Share Capital, the Postal Ballot Form and the Notice of ensuing Annual General Meeting to the Shareholders of the Company, the SEBI's comments as contained in the BSE Limited's letter dated 06<sup>th</sup> September 2013 have been reproduced for communication to the shareholders. The Company has thus ensured compliance with the directions in the said letter.

Keeping in view the facts and circumstances of the issue, we are of the considered opinion that notwithstanding the inability of BSE Limited to grant 'no objection' to the proposal submitted to it by the Company on 03<sup>rd</sup> May 2013, the Company is not legally barred by BSE Limited or by SEBI or under any of the provisions of Companies Act, 1956, (Act) from obtaining the approval of its Shareholders, particularly its Public Shareholders in the manner prescribed in SEBI Circulars dated 14<sup>th</sup> February 2013 and 21<sup>st</sup> May 2013, for its proposed Procedure of Reduction of Paid-up Equity Share Capital, to the extent of public





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shareholding under Section 100 of the Act and filing a petition thereafter under Section 101, before the Hon'ble High Court of Karnataka at Bangalore for its subsequent confirmation. Subject to confirmation by the Hon'ble High Court, the Company may apply to the Stock Exchanges, for the consequential delisting of its shares where they are listed at present.

Thanking you,

Yours faithfully,

**Josita Juris**

**Advocates & Legal Consultants**

Bojanna K.J

Kar: 2545/2005



## DIRECTORS' REPORT

Your Directors present the 47<sup>th</sup> Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2013:

**FINANCIAL HIGHLIGHTS (Standalone) :**
**(Rs. in Lakhs)**

Particulars	2012-2013	2011-2012
1. Revenue from operations	12400.85	16477.39
Other Income	58.03	176.17
2. Total Revenue	12458.88	16653.56
3. Profit /(Loss) before Tax	(2285.54)	1926.25
4. Provision for Taxation		
Current Tax	–	343.00
5. Profit/(Loss)after Tax	(2285.54)	1583.26
LESS: Income Tax for the earlier years	19.75	0.48
LESS: Prior year adjustments	7.18	2.50
6. Net Profit/(Loss)for the year	<b>(2312.47)</b>	<b>1580.28</b>
7. Appropriation		
Dividend	–	–
Dividend Tax	–	–
8. Balance carried forward	–	<b>1580.28</b>
9. EPS – Basic & Diluted	(6.15)	4.20

**REVIEW OF PERFORMANCE:**

Even though your Company's gross revenue has registered an increase of about Rs.5.45 Crores over the previous year, a net loss of Rs.23.12 Crores has been incurred during the year mainly on account of considerable increase in the quantum of excise duty & interest payments and increase in the overall cost of production.

**DIVIDEND:**

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

**PROCEDURE FOR REDUCTION OF PAID-UP EQUITY SHARE CAPITAL:**

A procedure involving reduction of paid-up equity share capital inter-alia under Sec. 100 of the Companies Act 1956, was recommended by the Audit Committee of the Board of Directors of the Company at its meeting held on 24<sup>th</sup> April 2013, in compliance with the Circular CIR/CFD/DIL/5/2013 dated 4<sup>th</sup> February 2013 issued by the Securities and Exchange Board of India (SEBI).

The salient features of the Procedure are as follows:

- Presently, 39,31,042 equity shares of the Company constituting 10.46 % of the issued, subscribed and paid-up capital are held by the public.
- The procedure provides for an exit opportunity to the public shareholders by means of Reduction of Capital of Rs.3,93,10,420/- held by them, automatic cancellation of the relative shares and



return of the capital amount of Rs.10/- per share together with a premium of Rs.65/-, (aggregating to Rs.75/- per share) which is 2.46 times the fair value of Rs.30.49 per share as certified in the Share Valuation Report dated 30<sup>th</sup> September 2013 issued by the Independent Chartered Accountant, M/s N.C.Rajagopal & Co., Chennai and 1.48 times the price of Rs.50.64 which is the 26 weeks' average of the weekly high and low prices of the share as quoted on Bombay Stock Exchange Ltd during the period from 06<sup>th</sup> May 2013 to 01<sup>st</sup> November 2013.

- The payment to public shareholders is proposed to be made through direct credit of their bank accounts / cash warrants.
- The implementation of the Procedure is subject to the following:
  - i) Approval of a special resolution in that behalf in the ensuing Annual General Meeting (AGM) by the majority of public shareholders participating in the voting process through postal ballot as well manually at the AGM.
  - ii) Confirmation thereafter by the Hon'ble High Court of Karnataka thereafter, on a petition to be filed by the Company.

### **DIRECTORS:**

In accordance with Article 37(A) of the Articles of Association of the Company Prof.L.R.Vagale, Mr.B.K.Ratnakar Rao, Maj.Gen(Retd.) M.K.Paul & Mr.D.V. Sathyanarayana, the independent non-executive 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 Act, 1956, and that they are not disqualified for such reappointment within the meaning of Section 226 ibid.

### **REMARKS OF AUDITORS:**

Delay in payment of statutory dues and default in timely repayment of principal and interest dues to banks.

### **COMMENTS ON REMARKS OF AUDITORS:**

The delay in remittance towards Professional Tax, Employee State Insurance, Provident Fund and Value Added Tax and the default in timely repayment of principal and interest dues to banks occurred due to unavoidable circumstances.

### **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, AS AMENDED:**

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.



## 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.

Exemption from attaching the balance sheet of Company's wholly owned subsidiary M/s. Khoday Properties Private Limited.

The Company has availed exemption from attaching to its own balance sheet, the balance sheet of Company's wholly owned subsidiary M/s. Khoday Properties Private Limited pursuant to General Circular 02/2011 dated 08<sup>th</sup> February 2011 issued by the Ministry of Corporate Affairs under Section 212 of the Companies Act, 1956. In compliance therewith, your directors undertake to provide such information as may be sought by the Company's shareholders about the accounts of Khoday Properties Private Limited for the financial year 2012-13. Copies of the audited balance sheet of Khoday Properties Private Limited as at 31<sup>st</sup> March 2013 and the statement of profit and loss for the year ended on that date have been kept for inspection by the Company's shareholders, both at the Registered Office of the Company and that of Khoday Properties Private Limited. A statement pursuant to Sec 212(8) is annexed at page no.106

## DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors further report 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 31<sup>st</sup> March 2013 and of the loss incurred by the Company for the period ended 31<sup>st</sup> March 2013;
- 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 : 05th November 2013  
Place: Bangalore

**K.L. RAMACHANDRA**  
**CHAIRMAN**

**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.
- 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 CFLs.
- Replacement of capacitors resulted in better power factor and the resultant savings in power costs.

The other disclosures of particulars in Form ‘A’ are not applicable, as the production is company’s glass manufacturing unit ceased w.e.f. 01-07-2010.

**FORM – B (See Rule 2)****2. RESEARCH AND DEVELOPMENT EFFORTS :**

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

**3. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :**

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

**4. Foreign Exchange Earnings & Out Go**

[in Rs. 000s]

<b>PARTICULARS</b>	<b>31-03-2013</b>	<b>31-03-2012</b>
A. FOREIGN EXCHANGE OUT GO	<b>17437</b>	9321
B. FOREIGN EXCHANGE EARNINGS	<b>3086</b>	6436



## ANNEXURE TO DIRECTORS' REPORT

### MANAGEMENT DISCUSSION AND ANALYSIS

**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 4% during the year and your Company's aggregate volume of sales recorded a growth of about 3.8%. The premium brands of IMFL such as "Peterscot", "Red Knight Select" and "Red Knight Reserve" brands of whisky carved out a market share of about 2 %. The product distribution in most states is managed through the respective State Beverages Corporation.

**Opportunities and threats:** The projected GDP growth of about 5 % for 2013-14, though modest, presents an opportunity for increased consumer spends on alcoholic beverages. 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.

**Segment wise/ product wise performance:**

The revenue for the Company was generated through business operations in the product segments of Liquor, Glass, Contract, Systems and "Others" comprising miscellaneous activities. The Liquor segment generated a gross revenue of Rs.341.15 crores but posted a loss of Rs.8.66 crores. The Glass segment did not generate any revenue but the expenditure of Rs.84.42 lakhs, incurred has been booked as loss. The Contract segment registered a gross revenue of Rs.8.35 lakhs and a loss of Rs.10.13 lakhs. The Systems segment generated a gross revenue of Rs.23.11 lakhs but posted a loss of Rs.2.45 crores. The "Others" segment registered a revenue of Rs.5.13 crores but posted a loss of Rs.4.96 lakhs.

**Outlook:** The IMFL segment of the industry in particular is expected to register a growth of about 12% and your Company has plans to improve sales volumes during 2013-14 by about 5%.

**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:- The Company faces the twin risk of timely availability of funds in adequate measure as also the steep interest rates charged by the 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.
- (iv) Regulatory issues :- The high incidence of taxes and the absence of the uniform regulatory regime for taxation and distribution through out the country, impedes the Company's efforts to improve its sales volumes. These issues are regularly being taken up with the Government through the industry Associations of which the Company is an active Member.



**Internal Control System :** The Company follows a system of internal controls to ensure effectiveness and efficiency of operations, safeguard of assets, the reliability of financial reporting and compliance with applicable laws and regulations.

**Financial performance vis-à-vis Operational performance:**

Though the Company's gross income registered an increase of about Rs.5.45 crores over the previous year, the corresponding net income decreased by about Rs.40.77 Crores, resulting in a net loss of Rs.23.12 Crores.

**Material development in human resources / industrial relations front:** The Company's efforts are directed at improving employee output across all levels through operational efficiency and higher levels of motivation. The industrial relations in all the units of the company remained cordial throughout the year.

**Cautionary statement:** Statements in the Management Discussion and Analysis prescribing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable security laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the markets in which the Company operates, changes in the Government Regulations, Tax Laws and other statutes and incidental factors.





## CORPORATE GOVERNANCE REPORT

### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The Company believes that good governance is essential to achieve long term Corporate goals and enhance shareholders' value and accordingly has established transparency of procedures and reporting systems for dealing, dissemination of information with due disclosures, strict adherence to statutory and regulatory prescription and increasing accountability to its shareholders, bankers and customers. All matters of strategy, significant developments etc. are routinely placed before the Board. The 2 committees of the Board viz., Audit Committee and Share Transfer & Investors' Grievances Committee meet regularly to transact business in respect of all matters entrusted to them. The Company also has constituted a Remuneration Committee for the purpose of payment of remuneration to Directors.

### 2. BOARD OF DIRECTORS:

The Board of Directors along with its Committees provide leadership and guidance to the Company's management and directs, supervises and controls the performance of the Company.

#### Composition :

The Board presently comprises 14 Directors of whom 3 are Executive Promoter Directors, 4 are Non-executive Promoter Directors and 7 are Independent Non-executive Directors. The Company has a Non-executive Chairman.

Both the Executive & Non-executive Directors were not paid any remuneration during the year other than Sitting Fees paid to the Non-Executive Directors for attending the Meetings of the Board and Committees thereof.

The details of the attendance of the Directors at the Board Meetings & last Annual General Meeting and directorships in other companies are as under:-

Name of Directors	Designation	Category	No. of Board Meetings attended	Attendance at the last AGM held on 30-10-2012	No. of directorships in public companies other than Khoday India Limited	No. of member ships held in Committees of the Board of Khoday India Limited
Mr. K.L. Ramachandra	Chairman	Promoter-Non-Executive	5	Present	8	1-Member
Mr. K.L.Srihari	Vice Chairman & Managing Director	Promoter-Executive	5	Present	10	1-Member
Mr. K.L.A. Padmanabhasa	Joint Managing Director	Promoter-Executive	4	Present	9	-
Mr. K.L.Swamy	Executive Director	Promoter-Executive	5	Present	8	1-Member





Name of Directors	Designation	Category	No. of Board Meetings attended	Attendance at the last AGM held on 30-09-2010	No. of directorships in public companies other than Khoday India Limited	No. of member ships held in Committees of the Board of Khoday India Limited
Mr. Khoday Swamy Giridhar	Director	Promoter-Non Executive	5	Present	1	1-Chairman
Mr. Khoday Ramachandra Nithyanand	Director	Promoter-Non Executive	5	Present	6	–
Mr. Khoday Srihari Gurunath	Director	Promoter-Non Executive	5	Present	7	–
Prof.L.R.Vagale	Director	Independent-Non Executive	–	–	–	1-Member 1-Member
Maj. Gen. (Retd.) M.K. Paul	Director	Independent-Non Executive	5	Present	–	1-Chairman 1-Chairman
Mr. Bangra Kulur Ratnakar Rao	Director	Independent-Non Executive	5	–	–	–
Mr. Sudhakar Shetty	Director	Independent – Non Executive	4	Present	1	2- Member
Mr. Damam Vittalsa Sathyanarayana	Director	Independent-Non Executive	5	Present	–	–
Mr. Puranic Ramachar Ananda Murthy	Director	Independent-Non Executive	3	Present	–	–
Mr. Dowray Prabhakara Rao	Director	Independent-Non Executive	5	Present	–	–

During the financial year 2012-13, 5 Board meetings were held i.e on 15-05-2012, 10-8-2012, 22-09-2012, 15-11-2012 & 13-02-2013.

Note: The directors are not on the committee of the Board of any company other than Khoday India Limited.

## Disclosures concerning Directors retiring by rotation and proposed to be re-appointed

- (i) **Prof. Lakshmansa Ramachandrasa Vagale ( Prof.L.R.Vagale)** has been an Independent Director of the Company since his appointment on 31<sup>st</sup> July 2003. Prof. Vagale who is of 90 years age holds Master's Degree in Science and Bachelor's Degree in Civil Engineering with specialization in Town Planning Architecture and Urban Housing. Prof.Vagale has held the positions of Project Manager and Chief Technical Adviser for various projects of the United Nations Organization. Prof.Vagale is a member of the Audit Committee and the Remuneration Committee of the Board of Directors of the Company.



Prof.Vagale does not hold any shares in the Company as on 31<sup>st</sup> March 2013 as well as on 05<sup>th</sup> November 2013.

- (ii) **Mr. Bangra Kulur Ratnakar Rao ( B.K.R. Rao)** has been an Independent Director of the Company since his appointment on 15<sup>th</sup> February 2008. Aged 74 years, Mr.B.K.R.Rao holds Master's Degree in Bio-Chemistry from Madras University. Mr.B.K.R. Rao began his career as an Assistant Professor of Chemistry and later joined the Indian Police Service during the years 1961, where he held positions in the State Police, Intelligence Bureau, Research and Analysis Wing, External Affair Ministry and Indian Missions in Singapore and U K., before retiring as Secretary (Security) Government of India. Mr.B.K.R.Rao was a Member of National Security Advisory Board during the year 2003 and also served as a Member on the Advisory Board for Bank, Commercial and Financial Frauds from June 2003 to June 2007. He also was the Advisor on Security to the Organizing Committee of the Common Wealth Games held in New Delhi during 2010.

Mr. B.K.R.Rao is a recipient of the Police Medal and the President's Police Medal for exemplary service.

Mr. B.K.R. Rao does not hold any shares in the Company as on 31<sup>st</sup> March 2013 as well as on 05<sup>th</sup> November 2013.

- (iii) **Maj.Gen (Retd.) M.K.Paul**, aged 78 years, has been an Independent Director of the Company since his appointment on 31<sup>st</sup> July 2003. Upon completion of his Bachelor's Degree in Mechanical Engineering with distinction, he pursued the conversion course in civil engineering in the College of Military Engineering, Pune and served for a period of 36 years in Indian Army holding important Command, Staff and Instructional Assignments in the major operational areas throughout India. He was also associated in the construction of major infrastructural project of all the Defence Services including Air Force Academy and Dry Docks for the Navy. He was deputed by the Government of India for a study tour of Engineering projects in UK and West Germany and has several technical publications to his credit. Till the end of 2004, he held the position of Controller of Finance Administration at the Elite National Institute of Advance Studies, Bangalore, where he played a key role in supervising the construction of the JRD Tata Memorial Auditorium besides organizing seminars/ workshops on infrastructural development and Disaster management and other panel discussions at the institutes.

Maj.Gen(Retd.)M.K.Paul is the Chairman of the Audit Committee and the Chairman of the Remuneration Committee of the Board of Directors of the Company. He is also a Nominee Director of the Company's wholly owned subsidiary M/s Khoday Properties Private Limited.

Maj.Gen(Retd.)M.K.Paul does not hold any shares in the Company as on 31<sup>st</sup> March 2013 as well as on 05<sup>th</sup> November 2013.

- (iv) **Mr.Damam Vittalsa Sathyanarayana** who is 68 years old is an Engineering graduate with vast experience. Mr.Sathyanarayana has served the Karnataka Government for 33 years and retired as the Engineer-in-Chief of Bangalore Development Authority in March 2003. He has held the post of Administrator, Command Area Development Authority, Cauvery Basin Irrigation Projects in Mysore, Chief Engineer, Karnataka Health Systems Development Project, Superintending Engineer in Public Works Department, Employees State Insurance and various other Government Departments in Bangalore.

Mr.Sathyanarayana has very rich experience in the construction and maintenance of important government buildings in Bangalore. He helmed the renovation of the High Court building in Bangalore,



construction of vast number of hospitals in Gulbarga and Raichur Districts funded by International Agencies. Mr.Sathyanarayana has also vast experience in the construction of Dairy Farms, Cold Storage Centers, Sports Complexes, Residential Layouts, Ring Roads, Flyovers and Highways. He has attended various national and international seminars and has presented papers on construction in Dairy Industry, Urban infrastructure and rehabilitation of monuments and Heritage buildings. After his retirement from Government service Mr.Sathyanarayana is presently practicing as a Professional Engineer and Consultant.

Mr.Sathyanarayana does not hold any shares in the Company as on 31<sup>st</sup> March 2013 as well as on 05<sup>th</sup> November 2013.

### 3. AUDIT COMMITTEE:

The Audit Committee of the Board of Directors was constituted during the year 1991 itself and has been meeting regularly ever since, long before the introduction of Sec.292A of the Companies Act, 1956 by Companies (Amendment ) Act 2000 vide which public companies with a paid up capital of not less than Rs.5 Crores are required to constitute an Audit Committee. The Committee oversees the Company's financial reporting process and the disclosure of its financial information to ensure correctness of such reporting and disclosure. The Committee ensures compliance with requirements as to the audited annual financial statements & un-audited quarterly financial statements furnished to the stock exchanges under the Listing Agreement. Statutory payments by the Company to various authorities are also reviewed by the Committee.

The Audit Committee presently comprises 4 members viz., Mr.K.L.Ramachandra – Non-Executive Director, and other 3 Independent non-executive Directors viz., Prof.L.R.Vagale, Maj.Gen.(Retd.)M.K.Paul & Mr.Sudhakar Shetty. The Company Secretary acts as the Secretary to the Committee. Maj.Gen.(Retd.)M.K.Paul is the Chairman of the Committee. The Audit Committee Meetings were held on 15-05-2012, 10-8-2012, 22-09-2012, 15-11-2012 & 13-02-2013.

Name of Members	Designation	Category	No. of Audit Committee Meetings attended
Mr. K.L. Ramachandra	Member	Promoter-Non-Executive	5
Prof. L.R. Vagale	Chairman	Independent-Non Executive	–
Maj. Gen. (Retd.) M.K.Paul	Member	Independent-Non Executive	5
Mr. Sudhakar Shetty	Member	Independent - Non Executive	4

### 4. REMUNERATION COMMITTEE:-

The 'Remuneration Committee' constituted to consider fixing and payment of remuneration to the Executive Directors, comprises the three Independent Non-executive Directors viz., Maj.Gen.(Retd.) M.K.Paul, Prof.L.R.Vagale & Mr.Sudhakar Shetty. There was no occasion for the Committee to meet during the financial year.



## 5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

The Share transfer Cum Investors' Grievance Committee is constituted to consider and approve transfer, transmission of shares and other incidental aspects. It comprises of 3 Directors viz. Mr. K.S.Giridhar, the Non-Executive Director who is the Chairman of the Committee and Mr.K.LSrihari & Mr.K.L.Swamy being the other two members. Mr.R.Venkat Subramanyan, Company Secretary functions as the Compliance Officer.

During the year, the Committee met 26 times. The Company received 7 complaints from shareholders both of which were redressed to the satisfaction of shareholders within 30 days of receipt.

## 6. GENERAL BODY MEETINGS:

Particulars of last three Annual General Meetings held:

AGM	Financial year ended	Venue	Date	Time	Whether Special Resolution passed
46th	31-3-2012	Sharavanti Kalyana Mantapa Bangalore	30-10-2012	12.00 Noon	Yes, Passed for appointment of Director
45th	31-3-2011	Sharavanti Kalyana Mantapa Bangalore	28-10-2011	12.00 Noon	Yes, Passed for re-appointment of Vice-Chairman and Managing Director & Joint Managing Director
44 <sup>th</sup>	31-3-2010	Hotel Vaishnavi Residency, Bangalore	30-09-2010	10.30 a.m.	Yes, Passed for commencement and undertaking of new business activities specified in the Memorandum of Association.

## POSTAL BALLOT:

No resolution was passed through postal ballot, at the previous Annual General Meeting held on 30<sup>th</sup> October 2012. However, at the ensuing Annual General Meeting scheduled to be held on 30<sup>th</sup> December 2013, two Special Resolutions are proposed to be considered through postal ballot and manual voting.

## DISCLOSURES:

- (i) Attention of the Members is drawn to the disclosures of transactions with related parties as set out in the Note no: 36 of Notes on Accounts, forming part of this Annual Report. The Company's related party transactions are generally with other companies in the Khoday Group and the transactions are entered in to based on considerations of business exigencies. All related party transactions are negotiated on arms length basis, intended only to further the interests of the Company.

The Company has consistently followed and applied the Accounting treatment in respect of various transactions, as prescribed in the Accounting Standards, without any deviation.



iii) (ii) Remuneration to Directors:

(a) None of the Directors under both the Executive and Non-executive category have been paid any remuneration by the Company during the year, excepting Sitting Fees paid to the Non-executive Directors for attending the Meeting of the Board and the Committees thereof, as detailed below.

iv)

Sl.No.	Name of the Director (Non-Executive)	Sitting Fees paid during the year
1.	Maj. Gen. (Retd.) M .K. Paul	Rs. 17,500/-
2.	Mr. Bangra Kulur Ratnakar Rao	Rs. 8,750/-
3.	Mr. Sudhakar Shetty	Rs. 14,000/-
4.	Mr. D.V. Sathyanarayana	Rs. 8,750/-
5.	Mr. P.R. Ananda Murthy	Rs. 5,250/-
6.	Mr. D. Prabhakara Rao	Rs. 8,750/-

Note: 1) The sitting fees paid as above is well within the prescribed limit.

2) No sitting fees was paid to any of the Executive Directors.

b) Details of Shareholding of Non-Executive Directors of the Company:

Of the eleven Non-Executive Directors Mr.K.L.Ramachandra who is also the Chairman holds 61,45,899 shares of the Company. Mr.K.S.Giridhar holds 72,000 shares, Mr.K.R.Nithyanand holds 36,007 shares, Mr.K.H.Gurunath holds 35,964 shares and Mr.P.R.Ananda Murthy holds 1 share of the Company in their name respectively. The other Non-Executive Directors viz., Prof.Vagale, Maj.Gen(Retd.) M.K.Paul, Mr.Bangra Kulur Ratnakar Rao, Mr.Sudhakar Shetty, Mr.D.V.Sathyanarayana and Mr.D.Prabhakara Rao do not hold any shares of the Company in their name.

- iii) The Company has complied with the requirements of regulatory authorities on capital markets and no penalties/strictures have been imposed during the last three years.
- iv) CEO/CFO Certification: The Managing Director has Certified to the Board of Directors, inter-alia, the accuracy of financial statements and adequacy of internal controls for financial reporting purpose as required under Clause 49 (V) of the Listing Agreement for the year ended 31-03-2013.

Compliance with mandatory requirements under Clause 49:-

The mandatory requirements as per Clause 49 of the Listing Agreement have been complied with by the Company.

Non-mandatory requirements under Clause 49 of the Listing Agreement:

- i) The Chairman is a Non-Executive Director. The Company has not reimbursed any expenses incurred for maintenance of his office or in the performance of his duties.
- ii) The Company has constituted the 'Remuneration Committee' for the purpose of considering payment of remuneration to Whole-time Directors.
- iii) The Director's comments on the remarks of Auditors in their Report, are contained in page no. 23 of this Annual Report

**7. MEANS OF COMMUNICATION:**

- i. The statements of quarterly financial results are furnished to the Stock Exchanges through facsimile transmission (fax) immediately after conclusion of the Board Meeting and also through courier in compliance with the requirement under the Listing Agreement.
- ii. The un-audited financial results are published in the English daily "Financial Express" and Kannada daily "Samyukta Karnataka".
- iii. Action is being taken to host on the Company's website, the quarterly un-audited financial statements, audited balance sheet, shareholding pattern of the Company to comply with the requirement specified by SEBI.
- iv. The Company's Balance Sheet and the un-audited quarterly financial results will be posted on the Company's website "khodayindia.com" which is being redesigned.
- v. The Company's Annual Report containing inter-alia Directors' Report, Auditor's Report, Audited Annual Accounts and other important information is circulated to the Members and others entitled thereto.
- vi. Printed copies of the Chairman's Address are distributed among the Members attending the Annual General Meeting.

**8. GENERAL SHAREHOLDER INFORMATION:**

- i. The 47<sup>th</sup> Annual General Meeting is scheduled to be held on Monday the 30<sup>th</sup> December 2013 at Shravanthi Kalyana Mantapa, Doddakallasandra, Kanakapura Main Road, Bangalore-560 062
- ii. Financial year : 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013
- iii. Book Closure Date : 23-12-2013 to 30-12-2013  
(both days inclusive).
- iv. Dividend Payment Date : No dividend payment is proposed.
- v. Shares of the Company Listed at :-
  - a. BSE Ltd,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai-400 001  
Phone No: 022-22721233 / 34
  - b. Bangalore Stock Exchange Ltd  
Stock Exchange Towers,  
51, 1<sup>st</sup> Cross, J C Road  
Bangalore-560 027  
Phone No: 080-41575234 / 35
  - c. Madras Stock Exchange Ltd  
"Exchange Building"  
11, Second Line Beach  
Chennai-600 001  
Phone No: 044-25228951

The Annual Listing Fee for the year 2013-14 has been paid to all the 3 Stock Exchanges.

- vi. Company's Stock Code : 507435 (BSE)



## vii. Stock Market Price Data (BSE) &amp; performance vis-à-vis BSE Sensex:

Month	Share Price		BSE Sensex	
	High	Low	High	Low
April-12	59.85	47.60	17664.1	17010.16
May-12	58.40	37.70	17432.33	15809.71
June-12	56.00	44.00	17448.48	15748.98
July-12	56.75	44.05	17631.19	16598.48
Aug-12	55.00	45.70	17972.54	17026.97
Sept-12	55.00	43.00	18869.94	17250.8
Oct-12	58.65	39.50	19137.29	18393.42
Nov-12	60.00	44.55	19372.7	18255.69
Dec-12	83.05	49.50	19612.18	19149.03
Jan-13	73.75	60.00	20203.66	19508.93
Feb-13	63.80	46.30	19966.69	18793.97
Mar-13	56.00	37.20	19754.66	18568.43

## viii. Registrar and Share Transfer Agent:

M/s. Integrated Enterprises (India) Limited,  
(formerly: Alpha Systems Private Limited)  
30, Ramana Residency,  
4<sup>th</sup> Cross, Sampige Road,  
Malleswaram, Bangalore-560 003  
Tel: 080-23460815 to 18  
Fax No: 080-23460819 Email: [irg@integratedindia.in](mailto:irg@integratedindia.in)

## ix(a). Share Transfer System:

The requests for transfer, transmission etc in respect of shares held in the physical mode are processed by the Registrar M/s. Integrated Enterprises (India) Limited who forward to the Company once every 15 days, a Memorandum containing details of the proposed transfers, transmission etc. for Company's approval. The said Memorandum and the concerned documents are scrutinized and approved by the Share Transfer Cum Investor Grievances Committee of the Board of Directors. Upon conveying of the said approval, the share certificates are endorsed with share transfer / transmission details and despatched by the Registrar to the transferees / beneficiaries within 1 month of receipt of the documents as required under Clause 3 (c) of the Listing Agreement with the Stock Exchanges. Requests for dematerialization of shares are processed and the confirmation in that regard are conveyed to Depositories within 15 days of receipt. All routine correspondence connected with share transfers / transmissions etc. are attended to by the Registrar. The Company representative periodically visits the Registrar's office to monitor the work entrusted..



ix(b). Secretarial Audit:

- Pursuant to Clause 47 (c) of the Listing Agreement with the Stock Exchanges, Certificates on half yearly basis, issued by the Company Secretary in Practice for due compliance of Share transfer formalities by the company are forwarded to the Stock Exchanges as prescribed.
- The Practicing Company Secretary carried out the Secretarial Audit to reconcile the total admitted capital with National Securities Depositories Limited (NSDL) & Central Depository Securities Limited (CDSL) and the total issued and listed capital. The Audit confirms that the total issue / paid-up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialized form.
- Pursuant to SEBI (Depositories & Participants) Regulations 1996, Certificates have also been received from a Practicing Company Secretary for dematerialization of the Company's shares and for conducting a Secretarial Audit on a quarterly basis for reconciliation of the share capital of the Company.

x) Distribution of Shareholding:-

a) Shareholding Pattern as on 31<sup>st</sup> March 2013:-

Category	No. of Share holders	No. of Shares held	% of Shareholding
Individuals (including NRIs)	15671	3691228	9.82
Companies	193	202430	0.54
Promoters and Associated Companies	45	33660195	89.54
FII/Foreign Nationals	0	0	0.00
Mutual Funds, FIs, Banks	5	1400	0.00
NSDL/CDSL Clearing Member	38	35984	0.10
<b>Total</b>	<b>15952</b>	<b>37591237</b>	<b>100.00</b>

b) Distribution of shareholding by size as on 31st March 2013 :

Range of Shares	No. of Share holders	% of Share holders	No. of Shares Held	% of Share-holding
1 - 500	15070	94.47	1808447	4.81
501 - 1000	425	2.66	331089	0.88
1001 - 2000	189	1.18	287247	0.76
2001 - 3000	71	0.45	179251	0.48
3001 - 4000	52	0.33	182146	0.48
4001 - 5000	25	0.16	113024	0.30
5001 -10000	48	0.30	354070	0.94
10001 & ABOVE	72	0.45	34335963	91.34
<b>Total</b>	<b>15952</b>	<b>100.00</b>	<b>37591237</b>	<b>100.00</b>





xi. Dematerialization of shares and liquidity

Equity shares of the company being in the compulsory dematerialized segment, their trading is facilitated through both the Depository Systems in India, viz., NSDL and CDSL. The International Securities Identification Number (ISIN) allotted for the Company's shares under the Depository System is INE687B01014-KIL. The aggregate number of shares held in dematerialized form is 5565108 as on 31<sup>st</sup> March 2013. Shareholders holding shares in dematerialized form are required to enter into correspondence with the concerned Depository Participants. 19,89,824 No. of shares were traded on BSE during the year.

xii. There are no outstanding warrants or any convertible instruments issued by the Company.

Plant Location: No:54, Kannayakana Agrahara  
Anjanapura Post,  
Bangalore - 560 062.

xiii. Address for correspondence: Khoday India Limited  
"Brewery House",  
7<sup>th</sup> Mile, Kanakapura Road,  
Bangalore-560 062.



## **Auditor's Certificate on Corporate Governance**

To

The Members of  
**Khoday India Limited.**

We have examined the compliance of conditions of Corporate Governance by Khoday India Limited for the year ended 31<sup>st</sup> March 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We state that, as at 31<sup>st</sup> March 2013, no investor's grievances were pending for a period exceeding one month against the Company as per the records maintained by the Company and produced for our verification.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Rangaraju & Associates  
*Chartered Accountants*  
(Firm Regn No.6912S)

Krishnan Rangaraju  
Partner  
Membership No. 18457

Place : Bangalore  
Date : 29.05.2013



## INDEPENDENT AUDITOR'S REPORT

To the Members of Khoday India Limited.

### Report on the Financial Statements

We have audited the accompanying financial statements of Khoday India Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;



- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
- c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Rangaraju & Associates  
*Chartered Accountants*  
(Firm Regn No.6912S)

Krishnan Rangaraju  
Partner  
*Membership No. 18457*

Place : Bangalore  
Date : 29.05.2013



## ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in Para 1 of our report of even date)

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) We have been informed that the fixed assets of the Company are physically verified by the Management according to a phased program designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, physical verification was carried out during the year and to the best of our knowledge no material discrepancies were noticed.  
(c) In our opinion, the Company has not disposed off any Fixed Assets during the year.
- ii. (a) As explained to us, Inventories have been physically verified by the management at reasonable intervals during the year. The stocks in possession of the third parties have been confirmed by them.  
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventories and we have been informed that no material discrepancies were noticed on physical verification.
- iii. (a) The Company has not granted any Loans, secured or unsecured to Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted any loans, Clauses (iii) (b), (iii) (c) and (iii) (d) of paragraph 4 of the Companies (Auditors Report) order, 2003 are not applicable to the Company.  
(b) The Company has not taken loans, secured or unsecured, from companies and firms which have been listed in the register maintained under section 301 of the Companies Act, 1956  
However, the Company has taken unsecured Interest free loan from four Directors' of the Company and the maximum amount outstanding at any time during the year is Rs.75,651 thousands and the year end balance of such loan is Rs. 74,558 thousands.  
(c) In our opinion, according to the information and explanations given to us, the loan taken from the Directors are interest free, and the terms and conditions are not, prima facie, prejudicial to the interest of the Company.  
(d) Since there is no stipulation as to the repayment of principal and interest, we are of the opinion that there is no irregularity in the repayment of these loans.
- iv. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under that section have been so entered.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5 lakhs in respect of each party have been



made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time, where the market price is available.

- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act 1956 and the rules framed there under.
- vii. In our opinion, the Company has an internal Audit system commensurate with its size and nature of business.
- viii. We have broadly reviewed the books of accounts relating maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- ix. (a) (i) According to the information and explanations given to us and as per our verification of the records of the Company, in our opinion, the company is generally regular in depositing undisputed statutory dues including Income Tax, Service Tax, Value Added Tax/Sales Tax, Wealth Tax, Customs Duty, Excise Duty and Cess, except certain amounts towards Professional Tax, Employees State Insurance, Provident Fund and Sales Tax.

*(ii) According to the information and explanations given to us, excepting for Rs.16,290/- towards Professional Tax, Rs.39,272/- towards Employees State Insurance, Rs.79,553/- towards Provident Fund and Rs. 6,69,695 /- towards VAT and Central Sales Tax, there are no other undisputed amounts payable in respect of statutory dues which have remained outstanding as at 31<sup>st</sup> March 2013 for a period of more than six months from the date they became payable. However, the entire dues have been paid subsequently.*

(b) According to the information and explanations given to us and as per records of the Company, the following are the particulars of dues on account of Sales Tax, and Employees Provident Fund which have not been deposited on account of dispute before the forum mentioned there against.

Name of the Statute	Nature of Dues & Related Period	Amount (Rs. in Thousands)	Forum where dispute is pending
Karnataka Sales Tax Act, 1957	Sales Tax, Entry Tax and Penalty for F.Y. 2002-03	149	Joint Commissioner of Commercial Taxes (Appeal) Bangalore.
Employees Provident Fund Act, 1952	EPF for the F.Y. 2006-07 and 2007-08	10,716	Employees Provident Fund Tribunal, New Delhi

- x. The company has accumulated losses at the end of the financial year. However the same does not exceed fifty percent of its net worth. The company has incurred cash loss during the financial year but has not incurred cash loss in the immediately preceding financial year.
- xi. The Company has defaulted in repayment of principal dues to a bank. The details of which are given below;

S.No	Term Loan	Amount of Default (Rs. In thousands)	Period of default	Paid on
1	Canara Bank	17,000	Principal for the month of February and March 2013.	13 <sup>th</sup> April 2013 and 17 <sup>th</sup> May 2013



- xii. According to the information and explanations given to us, the Company has not granted any loans and advances secured by pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi or a mutual fund society. Therefore the provision of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for the loans taken by others from banks or financial institutions.
- xvi. In our opinion, and according to information and explanations given to us, term loans have been applied for the purposes for which they were raised.
- xvii. Based on the information and explanations given to us and overall examination of the Balance sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment.
- xviii. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.
- xix. According to the information and explanations given to us, the Company has not issued any debentures during the year.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Rangaraju & Associates  
*Chartered Accountants*  
(Firm Regn No.6912S)

Krishnan Rangaraju  
Partner  
Membership No. 18457

Place : Bangalore  
Date : 29.05.2013