



BOARD OF DIRECTORS

| | |
|--|---|
| CHAIRMAN | Shri K.L. RAMACHANDRA |
| VICE CHAIRMAN & MANAGING DIRECTOR | Shri K.L. SRIHARI |
| JOINT MANAGING DIRECTOR | Shri K.L.A. PADMANABHASA |
| EXECUTIVE DIRECTOR | Shri K.L. SWAMY |
| DIRECTOR | Prof. L.R. VAGALE |
| DIRECTOR | Major Gen. M.K. PAUL |
| GROUP PRESIDENT | Shri P.R. ANANDA MURTHY |
| COMPANY SECRETARY | Shri M.S. MAYYA |
| AUDITOR | Shri S. SUKUMAR Chartered Accountant Bangalore |
| BANKERS | Canara Bank Corporation Bank Punjab National Bank Indian Overseas Bank UCO Bank Bank of Maharashtra United Western Bank Limited |
| REGISTERED OFFICE | No. 54, Kannayakana Agrahara Anjanapura Post, Bangalore - 560 062 |
| ADMINISTRATIVE OFFICE | 'Khoday House' 26/2, Sankey Road Cross Bangalore - 560 052 |

KHODAY INDIA LIMITED

Notice is hereby given that the THIRTY SEVENTH Annual General Meeting of KHODAY INDIA LIMITED, will be held on Friday, 26th December 2003 at 12.00 Noon at 'Brewery House', 7th Mile, Kanakapura Road, Bangalore-62, to transact the following business:

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31-3-2003 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
- 2) To appoint a Director in the place of Sri.K.L.Ramachandra, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in the place of Sri.K.L.A.Padmanabhasa, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the Next Annual General Meeting on a remuneration of Rs.3,00,000/- (including Tax Audit) plus out-of-pocket expenses and actual travel expenses in connection with the Company's Audit. Sri.S.Sukumar, Chartered Accountant, Bangalore retires at this meeting and is eligible for re-appointment.

SPECIAL BUSINESS:

5) ORDINARY RESOLUTION:

To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that Sri.Lakshmansa Ramachandrasa Vagale, be and is hereby appointed as a Director of the Company whose period of office will be liable to retire by rotation."

6) ORDINARY RESOLUTION:

To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that Major Gen.M.K.Paul, be and is hereby appointed as a Director of the Company whose period of office will be liable to retire by rotation."

7) ORDINARY RESOLUTION:

To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Sections 198,269, 309 and other applicable provisions, if any of the Companies Act, 1956, the Company hereby accords its approval and consent for the re-appointment of Sri.K.L.Swamy, as a Whole Time Director designated as Executive Director w.e.f. 26.4.2004 for a further period of 5 years on the following terms and conditions:

a) REMUNERATION:

SALARY: Rs.4,80,000/- per annum or Rs.40,000/- per month.

COMMISSION: 1% of the net profit.

b) PERQUISITES:

- i) Use of car and telephone: Free use of office car with a driver for official use. Free telephone facility at his residence provided long distance personal calls will be paid by him.
- ii) Subscription to Clubs/Associations: Fees of clubs subject to a maximum of Two Clubs. This will not include admission and life membership fees."

"RESOLVED FURTHER that where in any financial year the Company has no profits or its profits are inadequate, the remuneration payable to Sri.K.L.Swamy shall be governed by Section II of part II of Schedule XIII of the Companies Act, 1956 or any statutory enactment thereof."

"RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorised to do all acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this Resolution."

8) SPECIAL RESOLUTION:

To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED that subject to the approval from Securities and Exchange Board of India or from such authorities as may be required, the approval of the Company be and is hereby accorded to the delisting of the shares of the Company from the Stock Exchanges where the Company's Shares are presently listed viz, Bangalore Stock Exchange Ltd, The Stock Exchange Mumbai and the Madras Stock Exchange Ltd, at such time as the Board of Directors (which term shall be deemed to include a committee of the Board or any other person authorised by the Board) may in their absolute discretion, consider,



appropriate and on the terms and conditions as may be stipulated and mutually agreed to, in the best interest of the Company, after taking into account various factors such as but not limited to the incidence, impact or burden of the cost of listing fees payable to the Stock Exchanges and that the Board of Directors be and are hereby authorised to do and perform all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, desirable or appropriate and execute all such applications, documents and writings as are considered necessary or proper for giving effect to this Resolution."

By order of the Board
For **KHODAY INDIA LIMITED**

Place: Bangalore
Date: 26.11.2003

(**M.S.MAYYA**)
COMPANY SECRETARY

Notes:

- A. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
- B. A blank proxy form is sent herewith.
- C. 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.
- D. The Register of Members and Share Transfer Books of the Company will remain closed from 19.12.2003 to 26.12.2003 (both days inclusive).
- E. Members are requested to notify immediately any change in their address including Pin code.
- F. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.
- G. Members who are holding shares in the same names in different Folios are requested to intimate to the Company the Ledger Folios of such shareholdings together with the Share Certificate(s) to enable the company to consolidate all the holdings into one account. The Share Certificate will be returned to the Members, after endorsement in due course.
- H. As per the provisions of the amended Companies Act, 1956, facility for making nominations is now available for members in respect of the shares held by them. Nomination forms can be obtained from the Shares Department of the Company.

- I. The Company, consequent upon the introduction of the Depository System [DS], entered into agreements with National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL]. Members, therefore, now have the option of holding and dealing in the shares of the Company in electronic form through NSDL or CDSL.
- J. Pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 the dividend declared for the year 31-3-1995 and remaining unpaid/ unclaimed has been transferred to the General Revenue Account of the Central Government.
- K. Members who have not received their dividend paid by the company for the year 1998-99 are requested to check with the companies Share Department. Members are requested to note that in terms of Section 205C of the Companies Act, 1956 any dividend unpaid/unclaimed for a period of 7 years from the date these first became due for payment are required to be transferred to the Central Government to the Credit of the Investor Protection Fund. Thereafter, no claim shall be entertained in respect of the dividend transferred to the Fund.
- L. The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under item Nos: 5,6,7 and 8 above is annexed hereto.

By order of the Board
For **KHODAY INDIA LIMITED**

Place: Bangalore
Date: 26.11.2003

(**M.S.MAYYA**)
COMPANY SECRETARY

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

ITEM NO: 5

-Sri.Lakshmansa Ramachandrasa Vagale was appointed as an Additional Director, at the meeting of the Board of Directors of the Company held on 31-7-2003 pursuant to Section 260 of the Companies Act, 1956 and Article 30 of the Articles of Association and whose term expires

KHODAY INDIA LIMITED

at the Annual General Meeting scheduled to be held on 26-12-2003 and for the appointment of whom the Company has received a notice under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of a Director.

The Directors recommend the resolution for the approval of the Shareholders.

None of the Directors of the Company is deemed to be interested in the resolution so far as his appointment is concerned.

ITEM NO: 6

Major Gen.M.K.Paul was appointed as an Additional Director, at the meeting of the Board of Directors of the Company held on 31-7-2003 pursuant to Section 260 of the Companies Act, 1956 and Article 30 of the Articles of Association and whose term expires at the Annual General Meeting scheduled to be held on 26-12-2003 and for the appointment of whom the Company has received a notice under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of a Director.

The Directors recommend the resolution for the approval of the Shareholders.

None of the Directors of the Company is deemed to be interested in the resolution so far as his appointment is concerned.

ITEM NO: 7

The Shareholders of the Company at the 32nd Annual General Meeting held on 28th September 1998 re-appointed Sri.K.L.Swamy, as Executive Director for a period of Five Years w.e.f. 26.4.1999. The term of his appointment will expire on 25.4.2004. The Board of Directors at their meeting held on 26-11-2003 approved the re-appointment of Sri.K.L.Swamy as Whole Time Director subject to the approval of the Shareholders for a further period of 5 years.

The Directors recommend the resolution for the approval of the Shareholders.

Sri.K.L.Swamy is interested in the resolution. Sri.K.L.Ramachandra, Sri.K.L.Srihari and

Sri.K.L.A. Padmanabha being relatives of Sri.K.L.Swamy are deemed to be interested in the resolution.

ITEM NO: 8

The members are aware that the Equity shares of the Company are presently listed on the following Stock Exchanges viz, The Bangalore Stock Exchange Ltd, The Stock Exchange Mumbai and Madras Stock Exchange Ltd.

Recently, Khodayss Systems Ltd and Khoday India Limited had approached the Hon'ble High Court of Karnataka with a scheme of amalgamation of Khodayss Systems Limited with Khoday India Ltd and the High Court was pleased to approve the amalgamation. As per the scheme of amalgamation, the shareholders of Khodayss Systems Limited have been allotted 23076923 equity shares of Rs. 10/- each in the proportion of 10:13 and consequent to amalgamation the paid up capital of Khoday India Limited increased to Rs.37.59 Crores. The promoters' holdings in the company has increased to 91.27% after amalgamation.

The public shareholding after the amalgamation of companies has fallen below 10% of the paid up capital. Now the company proposes to delist the shares on the Stock Exchanges and in this regard we have requested SEBI to exempt the company from applicability of SEBI guidelines for voluntary delisting of shares on the stock exchanges for the following reasons:

1. The minority shareholders interest will be protected by a suitable exit option scheme.
2. The volume of trading of shares of our Company on the Stock Exchanges is very thin. Further the shares of our company are intermittently quoted with low volume of trading on Mumbai Stock Exchange.

In view of the foregoing, the Board has proposed to seek the approval of SEBI to delist the shares from the above stock exchanges.

The members are now requested to pass the resolution for the reasons cited above.

None of the Directors of the company are interested in the above resolution.



ANNEXURE TO THE AGM NOTICE

Information pursuant to Clause 49 of the Listing Agreement regarding appointment of new Directors or re-appointment of Directors.

1. Name : Sri.K.L.Ramachandra

Date of Birth and Age: 13-12-1930 - 72 YEARS

Qualification : Industrialist

Date of Appointment: 28-9-1965

Specialised Expertise: General Management

Sri.K.L.Ramachandra is a Promoter Director of the Company.

Sri.K.L.Ramachandra is a Director of the following companies:

Elkay Dredging Co Ltd, Forest Resort (Bandipur) Ltd, Himalaya Distilleries Ltd, Khoday's Breweries Ltd, L K Polyfibre Ltd, National Distilleries Ltd, Surya Watch Industries Ltd, Tiger Breweries Ltd and United Glass Bottles Manufacturing Company Ltd.

Chairman/ Member of the Committees : MEMBER: Audit Committee, Khoday India Limited. CHAIRMAN: Shareholders/Investors Grievance Committee, Khoday India Limited.

2. Name : Sri.K.L.A.Padmanabhasa

Date of Birth: 30-12-40 - 62 YEARS

Qualification : Industrialist

Date of Appointment : 28-02-1969

Specialised Expertise : General Management

Sri.K.L.A.Padmanabhasa has been a Director on the Board of the Company since 28-02-1969.

Sri.K.L.A.Padmanabhasa is a Director of the following companies:

Khoday's Breweries Ltd, Khoday's International Ltd, Khoday's Systems Ltd, Khoday's Technologies Ltd, L K Power Corporation Ltd, Narasimha Sugars Ltd, National Distilleries Ltd, Tiger Breweries Ltd, United Glass Bottles Manufacturing Company Ltd and Wescopower Generation Ltd.

Chairman/ Member of the Committees: None

3. Name : Sri.K.L.Swamy

Date of Birth : 18-9-1946 - 57 YEARS

Qualification : Industrialist

Date of Appointment: 28-02-1969

Specialised Expertise : General Management

Sri.K.L.Swamy has been a Director on the Board of the Company since 28-02-1969.

Sri.K.L.Swamy is a Director of the following companies:

Forest Resort (Bandipur) Ltd, Himalaya Distilleries Ltd, Khoday's Breweries Ltd, Khoday's Systems Ltd, Khoday's Technologies Ltd, L K Power Corporation Ltd, River Resort Ltd, Tiger Breweries Ltd and Wescopower Generation Ltd.

Chairman/Member of the Committees: MEMBER: Shareholders/Investors Grievance Committee, Khoday India Limited. MEMBER: Share Transfer Committee, Khoday India Limited.

4. Name : Sri.Lakshmansa Ramachandrasa Vagale:

Date of Birth : 5-6-1922 - 81 YEARS

Qualification: B.Sc, M.Sc, B E (Civil),

Date of Appointment: 31-07-2003

Specialised Expertise : Engineering Town Planning, and Housing, Chief Technical Advisor and Project Manager with Project Management and Financial Management as his responsibility for large U.N. Project.

Other Directorships: None

Chairman/Member of the Committee : CHAIRMAN: Audit Committee Meeting, Khoday India Limited.

5. Name : Major Gen.M.K.Paul:

Date of Birth : 01-04-1935 - 68 YEARS

Qualification: BE (Mech), Civil Engineering

Date of Appointment:31-07-2003

Specialised Expertise : Controller in National Institute of Advanced Studies in Bangalore

Other Directorships: None

Chairman/Member of the Committees: MEMBER: Audit Committee Meeting, Khoday India Limited.

KHODAY INDIA LIMITED

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the 37th Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2003:

FINANCIAL HIGHLIGHTS:

(Rupees in Lakhs)

| Particulars | 2002-2003 | 2001-2002 |
|--|-----------|-----------|
| 1. Gross Income | 18400.10 | 15770.43 |
| Less: Excise Duty | 5355.87 | 3897.01 |
| 2. Net Income | 13044.23 | 11873.42 |
| 3. Profit Before Tax | 117.74 | 597.42 |
| 4. Provision for Taxation | | |
| Current Tax | 9.30 | 205.00 |
| Deferred Tax | (188.27) | 15.82 |
| 5. Profit After Tax | 296.71 | 376.60 |
| ADD :Balance Brought forward | 159.08 | 321.21 |
| LESS: Balance absorbed on Amalgamation | (576.64) | - |
| | (120.85) | 697.81 |
| LESS:Provision for taxation for earlier years | 72.03 | 203.61 |
| 6. Prior year Adjustments | (40.20) | 30.98 |
| 7. Depreciation for earlier years | 1.54 | 4.14 |
| 8. Transfer to Debenture Redemption Reserve | - | 300.00 |
| 9. Balance carried forward | (154.22) | 159.08 |

DIVIDEND:

Your Directors express their inability to declare dividend for the year under review.

REVIEW OF PERFORMANCE:

The net income of the Company during the year under review was Rs130.44 Crores compared to Rs.118.73 Crores in the previous year, representing an increase of Rs.11.71 Crores.

Taking into consideration the present performance of the Company, your Directors hope that the sales turnover of the Company is expected to be better in the years to come.

AMALGAMATION

Your Directors have taken a major decision during the year under review for amalgamating the sister company Khodayss Systems Ltd with the Company in order to diversify the activities of the Company by carrying on the business of Information Technology. During the year under review, the company had not commenced the Call Centre operations of M/S Khodayss Systems Limited which has been merged with the Company with effect from 01-04-2002.

Pursuant to the Scheme of Amalgamation as approved by the Hon'ble High Court of Karnataka by its order dated 22.8.2003, the Company issued shares of Rs.10/- each at par credited as fully paid up for every 13 equity shares of Rs.10/- each as fully paid up held by the shareholders of Khodayss Systems Ltd.

The assets and liabilities of the transferor company have accordingly been merged with the assets & liabilities of the company and have been reflected in the accounts of the company for the year ended 31-3-2003.

FIXED DEPOSITS:

The total amount of deposits as on 31st March 2003 was Rs 99,00,000. All the matured deposits were re-paid on the due dates.

DIRECTORS:

Your Directors regret to inform you that Dr.S.M.Patil, Director of the company expired on 13-7-2003. In Dr.Patil's passing away The House of Khodayss has lost a Good Friend, and Khoday India Limited a Strong Supporter.

Sri N.Lakshman Rau, Director of the Company submitted his resignation to the post of Director w.e.f. 31-7-2003 due to personal reason.



Your Directors wish to place on record their appreciation for the valuable services rendered by them during their tenure of office.

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Sri.K.L.Ramachandra, Director and Sri. K.L.A. Padmanabhasa, Director retire by rotation and being eligible, offer themselves for re-appointment.

Sri.Lakshmansa Ramachandrasa Vagale and Major Gen.M.K.Paul were appointed as Additional Directors of the Company from 31-7-2003. In accordance with Section 260 of the Companies Act, 1956, they vacate office at the Annual General Meeting. The Company has received notices under Section 257 of the Act proposing Sri.Lakshmansa Ramachandrasa Vagale and Major Gen.M.K.Paul for appointment as Directors.

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Sri.K.L.Swamy Director being eligible, offers himself for re-appointment for the office of Whole Time Directorship.

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 annexed.

PARTICULARS OF EMPLOYEES:

Particulars required to be furnished under the Companies (Particulars of Employees) Rules, 1975 and Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, to the extent applicable to the Company are given in the Annexures.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i. that in the preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards had been followed along with proper explanation relating to material departures:
- ii. that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit

or loss of the company for the year under review;

- iii. that the directors had 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. that the directors had prepared the annual accounts for the financial year ended 31st March, 2003 on a going concern basis.

CORPORATE GOVERNANCE:

A separate section on Corporate Governance is included in the Annual Report and the Certificate from the Company's Auditors confirming the compliance of conditions on Corporate Governance as stipulated in the said clause 49 of the Listing Agreement is annexed thereto.

AUDITORS:

Sri.S.Sukumar, Chartered Accountant, Bangalore retires and is eligible for re-appointment.

REMARKS OF AUDITORS:

The remarks made by the Auditors in their Audit Report are considered by the Board of Directors and the following observations are made:

Non-confirmation of Balances:

The Company has been writing to its debtors and creditors and only a few of them have been responding so far. The Company is pursuing this matter and hopes to reconcile all the accounts and also have confirmation of balances from the respective parties.

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.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their appreciation of the continued assistance and co-operation from the State Government, Bankers, Financial Institutions, Business Associates and Company's Customers.

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

Date: 26.11.2003
Place: Bangalore

K.L.RAMACHANDRA
Chairman

KHODAY INDIA LIMITED

Annexure "A" to Director's Report

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

FORM - A (See Rule 2)

1. Conservation of Energy.

| PARTICULARS | 31-03-2003 | | 31-03-2002 | |
|--|------------|---------|------------|---------|
| | Paper | Glass | Paper | Glass |
| A. POWER & FUEL CONSUMPTION | | | | |
| I. Electricity | | | | |
| (a) Units Purchased KWH | 600192 | 5433732 | 763752 | 4869528 |
| Amount (Rupees in '000s) | 5,276 | 24,726 | 4,904 | 20,599 |
| Rate per Unit (in Rs.) | 8.79 | 4.55 | 6.42 | 4.23 |
| (b) Own Generation : | | | | |
| Through Diesel Generators | | | | |
| Units Produced KWH | 2,870 | 308066 | 21960 | 680000 |
| Rate per Unit (in Rs.) | 22.61 | 8.90 | 8.70 | 5.81 |
| B. CONSUMPTION PER UNIT OF PRODUCTION | | | | |
| Electricity KWH (per M.T) | 1023.56 | 643 | 1055.18 | 556 |

FORM - B (See Rule 2)

2. TECHNOLOGY ABSORPTION

The question of technology absorption does not arise

3. Foreign Exchange Earnings & Out Go

[Rupees in Thousands]

| PARTICULARS | 31-03-2003 | 31-03-2002 |
|------------------------------|------------|------------|
| A. FOREIGN EXCHANGE OUT GO | 43,256 | 9,885 |
| B. FOREIGN EXCHANGE EARNINGS | 19,769 | 938 |

Annexure "B" to Directors' Report

INFORMATION REQUIRED AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31ST 2003:

| | | | |
|----|--|---|--|
| 1) | NAME | : | LEHAR SARMA |
| 2) | DESIGNATION | : | VICE-PRESIDENT - MARKETING |
| 3) | REMUNERATION (RS. P.M.) | : | 3,45,577/- |
| 4) | QUALIFICATION | : | MBA (Sydney), B.A. (Hons) |
| 5) | EXPERIENCE (YRS.) | : | 7 YEARS 4 MONTHS |
| 6) | COMMENCEMENT OF EMPLOYMENT | : | 1-2-2002 |
| 7) | AGE (YRS) | : | 29 YEARS |
| 8) | PARTICULARS OF LAST EMPLOYMENT/ EMPLOYER/ LAST POST AND PERIOD FOR WHICH POST HELD : | : | 2 YEARS GLOBAL BUSINESS DIRECTOR AIR INFOTECH, GURGAON |



CORPORATE GOVERNANCE REPORT

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Khoday India Limited believes that good Corporate Governance is essential to achieve long term Corporate Goals and to enhance shareholders' value. Your company believes in transparency in dealing, dissemination of information with due disclosures, strict adherence to Statutory and regulatory prescription and increasing accountability to its shareholders, bankers and customers.

2. BOARD OF DIRECTORS:

A) The Board of Directors of the company consists of 6 members as on 31-3-2003 comprising:

- a) Three Executive Directors in the whole-time employment of the company.
- b) Three Non- Executive Directors (two independent Directors)

B) Attendance of each Director at the Board of Directors' Meetings:

In all 8 Board Meetings were held during the financial year 2002-2003 on 30-4-2002, 31-7-2002, 6-9-2002, 30-9-2002, 31-10-2002, 31-1-2003, 12-2-2003 and 27-3-2003.

The attendance of the Directors is as under:

| NAME | POSITION | NO.OF BOARD MEETINGS ATTENDED | ATTENDANCE AT THE PREVIOUS AGM |
|---------------------------|---------------|-------------------------------|--------------------------------|
| 1. SRI.K.L.RAMACHANDRA | Promoter | | |
| | Non-Executive | 6 | P |
| 2. SRI.K.L.SRIHARI | Promoter | | |
| | Executive | 8 | P |
| 3. SRI.K.L.A.PADMANABHASA | Executive | 7 | P |
| 4. SRI.K.L.SWAMY | Executive | 7 | P |
| 5. SRI.N.LAKSHMAN RAU * | Non-Executive | | |
| | Independent | 8 | P |
| 6. DR.S.M.PATIL ** | Non-Executive | | |
| | Independent | 6 | P |

* Resigned with effect from: 31-7-2003

** Expired on 13-7-2003

(C) Details about the Directors on the Boards/Committees:

| NAME OF THE DIRECTOR | DIRECTORSHIPS HELD IN OTHER PUBLIC LIMITED COMPANIES | MEMBERSHIP HELD IN COMMITTEES |
|-----------------------------|--|-------------------------------|
| 1. SRI. K.L. RAMACHANDRA | 12 | 2 |
| 2. SRI. K.L. SRIHARI | 13 | 2 |
| 3. SRI. K.L.A. PADMANABHASA | 11 | - |
| 4. SRI. K.L. SWAMY | 11 | 2 |
| 5. SRI.N.LAKSHMAN RAU * | 1 | 1 |
| 6. DR. S.M. PATIL ** | 4 | 1 |

* Resigned with effect from: 31-7-2003

** Expired on: 13-7-2003

KHODAY INDIA LIMITED

3. AUDIT COMMITTEE:

For better Corporate Governance, promoting transparency and for enhancing the credibility of the financial disclosures of the company, the Directors have constituted an Audit Committee.

The Audit Committee of Directors has been functioning since 1991. The Audit Committee was reconstituted and its terms of reference, role and scope were modified so as to bring them in line with clause 49 of the Listing Agreement with Stock Exchanges. The company also complied with the provisions of Section 292 A of the Companies Act, 1956.

During the financial year ended 31st March 2003 three meetings were held on 6-9-2002, 30-9-2002 and 31-1-2003.

And the attendance were as under:

| | Name of Director | Meetings attended |
|----|---------------------|-------------------|
| 1. | SRI.K.L.RAMACHANDRA | 2 |
| 2. | SRI.N.LAKSHMAN RAU | 3 |
| 3. | DR.S.M.PATIL | 3 |

At present, the Audit Committee consists of 3 non executive Directors viz., Sri.K.L.Ramachandra – Non Executive Director, Sri.L.R.Vagale – Independent Director and Maj. Gen. M.K. Paul – Independent Director. The Minutes of all the Committees of the Board are prepared by the Secretary of the Company, approved by the Chairman of the Meeting, circulated to the Board in the Agenda for the succeeding meeting and recorded thereat.

4. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE:

The Shareholders'/Investors' Grievance Committee comprising of 3 Directors was also constituted. The Chairman is a Non-Executive Director. The names of the members of the Shareholders'/Investors' Grievance Committee, including its Chairman, are as follows:

| | | |
|---------------------|---|-----------------|
| Sri.K.L.Ramachandra | - | Chairman |
| Sri.K.L.Srihari | - | Member Director |
| Sri.K.L.Swamy | - | Member Director |

During the year under review four meetings were held on 16-05-2002, 22-07-2002, 10-10-2002 and 25-01-2003.

And the attendance were as under :

| | Name of the Director | Meetings attended |
|----|----------------------|-------------------|
| 1) | Sri K.L. Ramachandra | 4 |
| 2) | Sri K.L. Srihari | 4 |
| 3) | Sri K.L. Swamy | 4 |

During the year, the company received 70 complaints from Shareholders which were attended to promptly and disposed off within 30 days.



SHAREHOLDERS'/INVESTORS' COMPLAINTS:

Particulars of Complaints received during 2002-2003

| Complaint from | Received | Redressed | Pending as on November 26, 2003 |
|--|-----------|-----------|------------------------------------|
| Shareholders/Investors | 54 | 54 | NIL |
| Depositories/DP | 10 | 10 | NIL |
| SEBI | 3 | 3 | NIL |
| Stock Exchanges | 3 | 3 | NIL |
| Department of Company Affairs/Registrar of Companies | NIL | NIL | NIL |
| TOTAL | 70 | 70 | NIL |

NATURE OF COMPLAINTS

| Nature | No. of Complaints | % of Complaints |
|--|-------------------|-----------------|
| Transfer of Shares | 2 | 2.86 |
| Issue of duplicate Share certificates | 4 | 5.71 |
| Non receipt of Dividend Warrants | 11 | 15.72 |
| Dematerialisation of Shares | 12 | 17.14 |
| Non receipt of Annual Report | 2 | 2.86 |
| Non receipt of Debenture Redemption Warrant/Amount | 25 | 35.71 |
| Others | 14 | 20.00 |
| Total | 70 | 100.00 |

5. GENERAL BODY MEETINGS:

A) Particulars of last three Annual General Meeting:

| AGM | Year ended | Venue | Date | Time |
|------------------|------------|--|------------|------------|
| 36 th | 31-3-2002 | 'Brewery House', 7 th Mile, Kanakapura Road, Bangalore-560 062 | 30-9-2002 | 12.00 Noon |
| 35 th | 31-3-2001 | As above | 28-12-2001 | 12.15 P.M. |
| 34 th | 31-3-2000 | As above | 30-12-2000 | 12.00 P.M. |

KHODAY INDIA LIMITED

B) Particulars of last two Extra-Ordinary General Meetings:

| Date | Time | Venue |
|------------|------------|--|
| 18.3.2003 | 11.00 A.M | 'Brewery House' 7 th Mile, Kanakapura Road, Bangalore -62 |
| 18-12-1999 | 10.30 A.M. | Hotel Ashok, Banquet Hall Kumara Krupa, High Grounds Bangalore-560 001 |

Special Resolution seeking approval of the members u/s 17 of the Companies Act, 1956 was transacted through postal ballot. The said special resolution was passed with requisite majority. The scrutinizer for the said postal ballot was Mr. Saji P. John, Advocate for conducting the postal ballot in compliance with the provisions of sec 192A of the Companies Act, 1956 and the Rules thereunder.

6. DISCLOSURES:

There were no materially significant related party transactions.

The company has complied with the requirements of regulatory authorities on capital markets and no penalties/strictures have been imposed against it in the last three years.

7. MEANS OF COMMUNICATION:

The quarterly and half yearly financial results are published in the Economic Times/ The Hindu (English) and Kannada Prabha (Kannada). The Management discussion and analysis is a part of this Annual Report.

8. COMPLIANCE CERTIFICATE OF THE AUDITORS:

Certificate of Statutory Auditors has been obtained on the compliance of conditions of Corporate Governance in deference to Clause 49 of the Listing Agreement of the Stock Exchanges and the same is annexed. Copy of the certificate is furnished to the Stock Exchanges as required.

9. GENERAL SHAREHOLDER INFORMATION:

37TH ANNUAL GENERAL MEETING – 26th December 2003 At 12.00 Noon. At 'Brewery House', 7th Mile, Kanakapura Road, Bangalore-560 062.

Financial year : 2002-2003

Book Closure Date : 19-12-2003 to 26-12-2003

Listed at Bangalore Stock Exchange Ltd
Stock Exchange Towers,
51, 1st Cross, J C Road
Bangalore-560 027
Phone No: 2995234

The Stock Exchange, Mumbai,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400 001
Phone No: 022-22721234

37th Annual Report 2002 - 2003



Madras Stock Exchange Ltd
"Exchange Building"
11, Second Line Beach
Chennai-600 001
Phone No: 044-25228951

Market Price data during April 2002 – March 2003 on Mumbai Stock Exchange:

| MONTH | | HIGH | LOW | VOLUME |
|-----------|------|-------|-------|--------|
| APRIL | 2002 | 20.50 | 16.00 | 7264 |
| MAY | 2002 | 19.00 | 15.25 | 13856 |
| JUNE | 2002 | 20.00 | 14.60 | 10839 |
| JULY | 2002 | 27.40 | 16.00 | 45778 |
| AUGUST | 2002 | 19.50 | 16.30 | 7892 |
| SEPTEMBER | 2002 | 18.50 | 15.00 | 10133 |
| OCTOBER | 2002 | 19.00 | 13.65 | 7019 |
| NOVEMBER | 2002 | 15.50 | 12.55 | 6194 |
| DECEMBER | 2002 | 16.50 | 12.05 | 19318 |
| JANUARY | 2003 | 15.30 | 13.00 | 24798 |
| FEBRUARY | 2003 | 13.55 | 11.50 | 11983 |
| MARCH | 2003 | 12.90 | 9.00 | 10808 |

Dematerialisation

The Equity shares of the company are traded in compulsory demat form and are available for trading under both the Depository Systems in India, namely NSDL and CDSL. Its International Securities Identification Number (ISIN) allotted under the Depository System is INE 687B01014-KIL-EQ

| Mode of holding As on 31-3-2003 | Shareholders | | Equity Shares | |
|------------------------------------|--------------|-------|---------------|-------|
| | No. | % | No. | % |
| Physical | 15,697 | 82.50 | 1,35,45,624 | 92.99 |
| Demat | 3,329 | 17.5 | 10,21,824 | 7.01 |

Registrar and Share Transfer Agent:

For physical segment and for Demat Form : Alpha Systems Private Limited,
30, Ramana Residency,
4th Cross, Sampige Road,
Malleswaram, Bangalore-560 003
Phone No: 3460815 Fax No:3460819

Shareholders holding shares in electronic form shall address their correspondence to their respective Depository Participants.

Compliance Officer:

Mr.M.S.Mayya, Company Secretary is the Compliance Officer under SEBI (Registrar to an issue and Share Transfer Agents) Regulations, 1993 and under Clause 47 of the Listing Agreement with Stock Exchanges.

KHODAY INDIA LIMITED

10. SHARE TRANSFER SYSTEM:

Shares lodged for transfer are normally processed within 15 days from the date of lodgment. All request for dematerialisation of shares are processed and the confirmation is given to the Depositors within 15 days.

Distribution of Shareholding as of 31st March 2003 is given below:

| Range of Shares | No. of Share holders | % of Share holders | No. of Shares Held | % of Share-holding |
|-----------------|----------------------|--------------------|--------------------|--------------------|
| 1 - 500 | 18594 | 97.73 | 2398845 | 16.47 |
| 501 - 1000 | 260 | 1.37 | 194710 | 1.34 |
| 1001 - 2000 | 73 | 0.39 | 103549 | 0.71 |
| 2001 - 3000 | 19 | 0.10 | 47381 | 0.33 |
| 3001 - 4000 | 8 | 0.04 | 28315 | 0.19 |
| 4001 - 5000 | 6 | 0.03 | 27108 | 0.18 |
| 5001 - 10000 | 10 | 0.05 | 65305 | 0.45 |
| Over 10,000 | 56 | 0.29 | 11702235 | 80.33 |
| Total | 19,026 | 100.00 | 1,45,67,448 | 100.00 |

Categories of shareholding as on 31st March 2003

| Category | No. of Shareholders | No. of Shares held | % of Shareholding |
|------------------------------------|---------------------|--------------------|-------------------|
| Individuals (Including NRI's) | 18,846 | 29,91,525 | 20.536 |
| Companies | 114 | 55,511 | 0.380 |
| Promoters and Associated Companies | 52 | 1,12,33,893 | 77.117 |
| Mutual Funds, FI's | 11 | 2,86,175 | 1.965 |
| NSDL/CDSL Transit position | 3 | 344 | 0.002 |
| Total | 19,026 | 1,45,67,448 | 100.000 |

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

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



11. REMUNERATION COMMITTEE:

The Company has not constituted any Committee of Directors styled as "Remuneration Committee".

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. **An Overview :** Your Company is one of the leading Manufacturers and Distributors of High Quality Alcoholic Beverages in the Country, catering to both Indian and Overseas market. Of late the company has diversified its business activities by carrying on the business of High Quality Glass Bottles and Printing and Writing Papers etc.

Further, pursuant to the scheme of Amalgamation as approved by Hon'ble High Court of Karnataka by its order dated 22-8-2003, Khodayss Systems Ltd., the sister concern of the Khoday group was amalgamated with your company, thereby enabling the company to carry on the business of Information Technology as well.
2. **Business Environment :** The Government has in the recent past progressively liberalised the economic system of the country and also reduced the import tariffs on liquor thereby facilitating the entry of global giants into the country. Despite this, your company's products have been able to hold their position by gearing itself to meet these challenges.
3. **Financial Performance :** The gross sales turnover of the company during the year under review was Rs. 184.00 crores compared to Rs. 157.70 crores in the previous year, representing an increase of Rs. 26.30 crores. The cost of manufacturing has substantially increased, mainly in the areas of material consumption, interest and Bank charges and personnel expenses. As a result, profit after tax has been reduced to Rs. 2.96 crores as against Rs. 3.76 crores in the previous year.
4. **Out-look for 2003-2004. Opportunities & Threats :** Government policies on Excise and statutory levies have a direct bearing on the business activities of the company and also on the profit levels of the company. Recent liberalisation initiated by the Government and the growing consumer demand has attracted multinationals to enter the domestic liquor market resulting in a more competitive environment. Your company is however will be geared to meet the challenges by diversifying its activities into the area of Information Technology, Paper and Paper Products and hope to capitalise on the opportunities open to the company in the year 2003-2004.
5. **Risk Perception :** Consolidation & restructuring within the Alcoholic Beverages Industry and prospects of increasing competition for imports, continue to pose formidable challenges. There is no change in the attitudes or policies of the state government in regard to movement of Alcoholic Beverages from one state to the other. Thus, the industry continues to suffer from handicaps. The licencing policies of the Government continue to be extremely rigid. Both these factors adversely affect the Industry's capabilities to rationalise and relocate production capacities. Inadequate finances from the Banking Sector for optimum storage and maturation capabilities is also another adverse factor.
6. **Internal Control System :** The day to day administration is looked after under the supervision, control and guidance of the Managing Director. The company has an adequate system of internal control and the scope of the Internal Audit System has been further consolidated by strengthening the Internal Audit Department commensurate with the size of the company and the nature of its business.
7. **Industrial Relations :** Your Company values its human resources and considers it as an invaluable asset. The employees are motivated to bring out the best within themselves and the industrial relations in all the units of the company remained cordial throughout the year.

KHODAY INDIA LIMITED

Auditor's Certificate on Corporate Governance

To
The Members,
Khoday India Limited.

I have examined the compliance of conditions of Corporate Governance by Khoday India Limited for the year ended 31st March, 2003 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. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me and the representations made by the Directors and the Management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, I have to state that as per the records maintained by the Company, there were no investor grievances remaining unattended / pending for more than 30 days.

I 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.

Place : Bangalore
Date : 26-11-2003

S. SUKUMAR
Chartered Accountant



REPORT OF THE AUDITOR

To the Members of KHODAY INDIA LIMITED

1. I have audited the attached Balance Sheet of Khoday India Limited as at 31st March, 2003 and the Profit and Loss Account and also the Cash Flow statement for the year ended on that date, annexed thereto [incorporating the accounts of Khoday Systems Limited amalgamated with the Company with effect from 1st April, 2002 in terms of the order of the Hon'ble High Court of Karnataka]. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I have conducted my audit in accordance with the auditing standards generally accepted in India. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, I enclose, in the annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to my comments in the Annexure referred to above, I report that:
 - a. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit.
 - b. In my opinion, proper books of account as required by law have been kept by the company so far as appears from my examination of such books.

- c. The Balance Sheet and the Profit and Loss Account dealt with in this report are in agreement with the books of account.
 - d. In my opinion, the Balance Sheet and the Profit and Loss Account comply in all material respects with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
5. According to the information and explanations given to me and on the basis of the written representation received from the Directors which have been taken on record by the Board of Directors, I report that none of the Directors are disqualified as at 31st March, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
6. *Attention is invited to the following :*
- Note No. 10 regarding non-confirmation of balances for certain sundry debtors, sundry creditors, advances received and loans and advances, the effect of which on the accounts if any, could not be ascertained.*

Subject to the foregoing,

in my opinion, and to the best of my information and according to the explanations given to me, the said Balance Sheet and the Profit & Loss Account read together with the notes thereon and Accounting Policies, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:

- (i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2003
- (ii) in the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date.
- (iii) in the case of Cash flow Statement, of the cash flow for the year ended on that date.

PLACE : BANGALORE
DATE : 26-11-2003

S. SUKUMAR
CHARTERED ACCOUNTANT

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in para 3 of my report of even date)

FIXED ASSETS :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets are being physically verified by the Management under a phased programme of verification. In my opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. To the best of my knowledge, no material discrepancies were noticed on such verification.
2. None of the Fixed Assets have been revalued during the year.

INVENTORIES :

3. The stock of finished goods, stores, spare parts and raw materials have been physically verified by the Management at reasonable intervals. The stock in possession of third parties have been confirmed by them.
4. The procedure and frequency of physical verification of stocks followed by the Management are reasonable and adequate considering the size of the Company and the nature of its business.
5. No material discrepancies have been noticed on such physical verification of stocks as compared to book records.
6. On the basis of examination of the stock records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of such stock is same as in the preceding year.
7. As explained to me, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials, finished goods and trading stock. Adequate provision has been made in the accounts for the loss arising on items so determined.
8. In my opinion, reasonable records have been maintained by the Company for the sale and disposal of realizable scrap and by-products.
9. I have broadly reviewed the books of account maintained by the Company in respect of Industrial

Alcohol and Paper products pursuant to the order made by the Central Government for maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956, and I am of the opinion that, prima-facie, prescribed records and accounts have been made and maintained by the Company. However, no detailed examination of such records and accounts has been carried out by me with a view to determine whether they are accurate or complete.

LOANS AND ADVANCES :

10. 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 loans from the parties which have been listed in the register maintained under Section 301 of the Companies Act, 1956. The terms and conditions of such loans are, prima-facie, not prejudicial to the interest of the Company. The Company has not taken loans, secured or unsecured, from the Companies under the same Management within the meaning of sub-section (1B) of erstwhile Section 370 of the Companies Act, 1956.
11. The Company has not given any loans, secured or unsecured, to the Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 and to Companies under the same Management within the meaning of sub-section (1B) of erstwhile Section 370 of the Companies Act, 1956.
12. The parties and the employees to whom loans have been given by the company are repaying the principal amount as stipulated and are also regular in repayment of interest, wherever applicable, except in a few cases amounting to Rs.8.94 Lakhs relating to employees of the company. I am informed that necessary steps are being taken for recovering the loans in such cases.

INTERNAL CONTROLS :

13. In my opinion and according to the information and explanations given to me, the existing internal control procedures are adequate and



commensurate with the size of the company and the nature of its business for the purchase of stores, components, plant and machinery, equipment, other assets and for the sale of goods.

14. The Company has an Internal Audit System, the scope of which needs to be refined to make it commensurate with the size of the company and nature of its business.

RELATED PARTIES :

15. In my opinion and according to the information and explanations given to me, the transactions of purchase and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market price for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties. Further, for certain transactions of Purchases and Sales, quotations have not been obtained, as according to the Management, these are of special nature and considering the quality requirement and delivery schedule, the price alone cannot be the criterion.

PUBLIC DEPOSITS :

16. In my opinion and according to the information and explanations given to me, the company has complied with the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder with regard to acceptance of deposits from the public.

STAFF WELFARE :

17. According to the records, the Company Provident Fund and Employees State Insurance dues have been regularly deposited during the year with the appropriate authorities *except in few cases. The overdue amount outstanding as on 31st March 2003 was Rs. 34.69 Lakhs towards Provident Fund and Rs. 2.82 Lakhs towards Employees State Insurance and the entire above said amount have been remitted subsequently with the appropriate authorities.*

18. According to the information and explanations given to me, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.

TAXATION :

19. According to the information and explanations given to me, *except for Rs. 56.07 Lakhs towards Sales Tax and Rs.3.49 Lakhs towards Income Tax*, there are no other undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which have remained outstanding, as at 31st March 2003 for a period of more than six months from the date they became payable.

OTHERS :

20. The Company is not a sick industrial company within the meaning of clause(o) sub-section(I) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of the Company's trading activity, I report that damaged goods have been determined pursuant to the Company's laid down procedures and consequential adjustments which has not been significant, has been made in the accounts.
22. In respect of the Company's service activity, I report that :
- i. The Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the relative jobs.
 - ii. The Company has a reasonable system of billing for labour at pre-determined rates per job, *and does not allocate actual-hours utilized to the relative jobs.*
 - iii. The Company has a reasonable system of authorization at proper levels, and adequate system of internal control on issue of stores and allocation of stores and labour to jobs commensurate with the size and the nature of its business.

PLACE : BANGALORE
DATE : 26-11-2003

S. SUKUMAR
CHARTERED ACCOUNTANT

KHODAY INDIA LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2003

[Rupees in Thousands]

| PARTICULARS | Schedule | 31-03-2003 | 31-03-2002 |
|--|----------|------------------|------------------|
| SOURCES OF FUNDS | | | |
| 1. SHARE HOLDERS' FUNDS | | | |
| [a] Share Capital | 1 | 145,675 | 145,675 |
| [b] Share Capital Suspense (Note No.2) | | 230,769 | |
| [c] Reserves & Surplus | 2 | 963,607 | 952,980 |
| 2. LOAN FUNDS | | | |
| [a] Secured Loans | 3 | 1,008,911 | 937,242 |
| [b] Unsecured Loans | 4 | 155,065 | 19,461 |
| 3. DEFERRED TAX LIABILITY (NET) | | | |
| | | 10,325 | 29,153 |
| TOTAL | | 2,514,352 | 2,084,511 |
| APPLICATION OF FUNDS | | | |
| 4. FIXED ASSETS | | | |
| [a] Gross Block | 5 | 985,653 | 896,381 |
| [b] Less: Depreciation | | 446,979 | 374,876 |
| [c] Net Block | | 538,674 | 521,505 |
| 5. CAPITAL WORK-IN-PROGRESS | | | |
| [a] Call Centre | | 259,026 | |
| [b] Others | | 52,598 | 87,069 |
| 6. INVESTMENTS | | | |
| | 6 | 628,356 | 5,870 |
| 7. CURRENT ASSETS, LOANS & ADVANCES | | | |
| [a] Inventories | 7 | 473,175 | 366,150 |
| [b] Sundry Debtors | 8 | 371,682 | 383,145 |
| [c] Cash & Bank Balances | | 49,033 | 59,184 |
| [d] Other Current Assets | 10 | 589 | 423 |
| [e] Loans & Advances | 11 | 653,561 | 1,043,276 |
| | | 1,548,040 | 1,852,178 |
| 8. LESS: CURRENT LIABILITIES & PROVISIONS | | | |
| [a] Current Liabilities | 12 | 521,093 | 359,788 |
| [b] Provisions | 13 | 25,732 | 22,323 |
| | | 546,825 | 382,111 |
| 9. NET CURRENT ASSETS | | | |
| | | 1,001,215 | 1,470,067 |
| 10. MISCELLANEOUS EXPENDITURE | | | |
| (To the extent not written off or adjusted) | 14 | 34,483 | |
| TOTAL | | 2,514,352 | 2,084,511 |

Significant Accounting Policies and Notes on Accounts 23

The schedules referred to above form an integral part of the Balance Sheet

K. L. RAMACHANDRA
Chairman

K. L. SRIHARI
Vice - Chairman
Managing Director

As per my report of even date

Place: Bangalore
Date : 26-11-2003

M. S. MAYYA
Company Secretary

S. SUKUMAR
Chartered Accountant



PROFIT AND LOSS ACCOUNT FOR THE YEAR 31ST MARCH, 2003

[Rupees in Thousands]

| PARTICULARS | Schedule | 31-03-2003 | 31-03-2002 |
|---|--------------|------------------|------------------|
| INCOME | | | |
| Sales | 15 | 1,729,062 | 1,535,872 |
| Other Income | 16 | 37,837 | 59,638 |
| Increase / (Decrease) in Stock | 17 | 73,111 | (18,468) |
| TOTAL | [A] | 1,840,010 | 1,577,042 |
| EXPENDITURE | | | |
| Consumption of Materials and Purchase for resale | 18 | 522,711 | 433,846 |
| Mfg. Administrative & Selling Expenses | 19 | 448,888 | 428,717 |
| Personnel Expenses | 20 | 110,968 | 102,402 |
| Excise Duty and Import Fee | | 535,587 | 389,701 |
| Interest & Bank Charges | 21 | 174,224 | 129,449 |
| Depreciation | 22 | 35,858 | 33,185 |
| TOTAL | [B] | 1,828,236 | 1,517,300 |
| PROFIT / (LOSS) BEFORE TAXATION | [A-B] | 11,774 | 59,742 |
| LESS: Provision for Taxation - Current Tax | | 930 | 20,500 |
| - Deferred Tax | | (18,827) | 1,582 |
| PROFIT/ (LOSS) AFTER TAXATION | | 29,671 | 37,660 |
| ADD : Balance Brought forward | | 15,908 | 32,121 |
| LESS: Balance absorbed on Amalgamation | | 57,664 | - |
| | | (12,085) | 69,781 |
| LESS: Provision for Taxation for earlier years | | 7,203 | 20,361 |
| Prior Year Adjustments | | (4,020) | 3,098 |
| Depreciation for Earlier Years | | 154 | 414 |
| Transfer to Debenture Redemption Reserve | | - | 30,000 |
| Balance carried forward | | (15,422) | 15,908 |
| TOTAL | | (12,085) | 69,781 |

Significant Accounting Policies and Notes on Accounts 23

The schedules referred to above form an integral part of the Profit & Loss Account

K. L. RAMACHANDRA
Chairman

K. L. SRIHARI
Vice - Chairman
Managing Director

As per my report of even date

Place: Bangalore
Date : 26-11-2003

M. S. MAYYA
Company Secretary

S. SUKUMAR
Chartered Accountant

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

| PARTICULARS | 31-03-2003 | 31-03-2002 |
|---|----------------|----------------|
| SCHEDULE - 1 | | |
| SHARE CAPITAL : | | |
| AUTHORISED | | |
| 4,50,00,000 Equity Shares of Rs.10/- each | 450,000 | 200,000 |
| ISSUED | | |
| 1,51,10,448 Equity Shares of Rs. 10/- each | 151,104 | 151,104 |
| SUBSCRIBED AND PAID UP | | |
| 1,45,67,448 Equity Shares of Rs. 10/- each fully paid up (Includes 64,50,000 Equity Shares allotted as fully paid Bonus Shares by capitalisation of Reserves and 11,10,448 Equity Shares of Rs.10/- each allotted and issued as fully paid up shares pursuant to the scheme of amalgamation for consideration other than cash) | 145,675 | 145,675 |
| TOTAL | 145,675 | 145,675 |
| SCHEDULE - 2 | | |
| RESERVES AND SURPLUS : | | |
| CAPITAL RESERVE | | |
| As at the beginning of the financial year | 190,839 | 190,839 |
| Add: Addition on Account of Amalgamation | 79 | - |
| As at the end of the financial year | 190,918 | 190,839 |
| SHARE PREMIUM ACCOUNT | | |
| | 116,260 | 116,260 |
| GENERAL RESERVE | | |
| As at the beginning of the financial year | 224,125 | 250,087 |
| Add: Transfer from Debenture Redemption Reserve | 5,000 | 1,609 |
| Add: Transfer from Amalgamation Adjustment Reserve | 69,231 | - |
| Less: Profit & Loss Account | 15,422 | - |
| Less: Transfer to Deferred Tax Liability | - | 27,571 |
| As at the end of the financial year | 282,934 | 224,125 |
| AMALGAMATION ADJUSTMENT RESERVE | | |
| As at the beginning of the financial year | | |
| Add: Addition on Account of Amalgamation | 69,231 | - |
| Less: Transfer to General Reserve | 69,231 | - |
| As at the end of the financial year | - | - |
| REVALUATION RESERVE : | | |
| As at the beginning of the financial year | 350,848 | 378,201 |
| Less : Transfer to Profit & Loss Account | 27,353 | 27,353 |
| As at the end of the financial year | 323,495 | 350,848 |
| DEBENTURE REDEMPTION RESERVE | | |
| As at the beginning of the financial year | 55,000 | 26,609 |
| Add: Transfer from Profit & Loss Account | - | 30,000 |
| Less: Transfer to General Reserve | 5,000 | 1,609 |
| As at the end of the financial year | 50,000 | 55,000 |
| SURPLUS FROM PROFIT & LOSS ACCOUNT | | |
| | - | 15,908 |
| TOTAL | 963,607 | 952,980 |



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

| PARTICULARS | 31-03-2003 | 31-03-2002 |
|--------------------------------------|-------------------------|-----------------------|
| SCHEDULE - 3 | | |
| SECURED LOANS : | | |
| a. 15 % Non Convertible Debentures | - | 50,000 |
| b. 17 % Non Convertible Debentures | - | 50,000 |
| c. 16.5 % Non Convertible Debentures | 50,000 | - |
| d. From Banks - Cash Credits | 402,810 | 447,553 |
| - Term Loans | 441,435 | 304,826 |
| e. From Financial Institutions | 90,060 | 74,023 |
| f. From Others | 24,606 | 10,840 |
| TOTAL | <u>1,008,911</u> | <u>937,242</u> |

[17% Non convertible debentures has been rephased into 16.5% Privately placed Non Convertible Secured Debentures which are redeemable at par in seven quarterly instalments from 25th May 2003 - Secured by personal Guarantee of the Directors and their relatives, Mortgage of Property owned by Directors and their relatives and Mortgage of immovable property owned by companies in which some of the Directors are members, and further secured by first mortgage of immovable property owned by a Trust in which some of the Directors are Trustees and whole of movable property of the Company including its Plant and Machinery, Spares, Tools and Accessories and other movables, both present and future.

Cash Credits from Banks have been secured by a first charge on the Company's assets both present and future on pari pasu basis excluding Bio-Methanisation Plant & Effluent Treatment Plant and first charge on the receivables and inventories relating to Distillery Division.

Term Loan of Rs 4414.35 Lacs includes Rs. 1614.34 Lacs secured by hypothecation of maturation stock and further secured by a first charge by way of mortgage of immovable property of a company in which some of the Directors are members and,

- Rs. 7.17 Lacs secured by hypothecation of vehicles and personal guarantee of directors and their relatives and,

- Rs. 942.83 Lacs secured by personal guarantee of the directors and their relatives and further secured by first charge by way of mortgage of immovable properties of a firm in which some of the directors are partners and,

- Rs.279.33 Lacs secured by mortgage of immovable property of a company in which some of the Directors are members and personal guarantee of the directors and,

- Rs. 68.26 Lacs secured by equitable mortgage by deposit of Title Deeds of certain immovable properties of the company and,

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

| PARTICULARS | 31-03-2003 | 31-03-2002 |
|--|----------------|---------------|
| - Rs.952.06 Lacs secured by the Equitable mortgage of Factory Land and Building and by a First charge on the Plant & Machinery owned by the Paper Division of the Company and, | | |
| - Rs. 423.89 Lacs secured by a First charge on the Plant & Machinery, Equipments and Furnace of Glass Division and further secured by an Equitable mortgage of Factory Land and Building of a Company in which some of the Directors are members, also secured by Corporate Guarantee of a Company in which some of the Directors are members and personal guarantee of the Directors of the Company and Rs. 126.47 Lacs secured by Fixed Deposits of the company. | | |
| Loans from Financial Institutions of Rs.900.60 Lacs includes Rs.547.68 Lacs is secured by the personal guarantee of the directors and their relatives and mortgage of the property owned by the directors and their relatives and further secured by the first mortgage of immovable property owned by a Trust in which some of the Directors are Trustees and mortgage of immovable properties owned by a company in which some of the Directors are members and whole of movable property of the Company including its Plant and Machinery, Spares, Tools and Accessories and other movables, both present and future. | | |
| - Rs.352.92 Lacs is secured by first charge on the company's movable and immovable properties both present and future and further secured by mortgage of immovable property owned by a private company in which some of the directors are members and further secured by first mortgage of immovable property of land measuring 8.2 acres which is owned by private trust in which some of the directors are trustees and also personal guarantee of the directors of the company. | | |
| Loans from others includes Rs.59.37 Lacs which is secured by hypothecation of vehicles and Rs.129.16 Lacs being hire purchase loans taken for acquiring fixed assets of the company and the balance of Rs.57.54 Lacs has been secured by the Second Charge on the Plant & Machinery and Land measuring 77.24 acres of Company's Paper Division.] | | |
| SCHEDULE - 4 | | |
| UNSECURED LOANS | | |
| Short Term Loans | | |
| - From Directors | 5,498 | - |
| - From Others | 109,503 | 19,461 |
| Other Loans | | |
| - From Banks | 40,064 | - |
| TOTAL | 155,065 | 19,461 |

[Loan from banks Rs.400.64 Lacs is secured by the personal guarantee of the Directors of the company]



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS

31-03-2003

31-03-2002

SCHEDULE - 5

FIXED ASSETS

| SL NO | PARTICULARS | GROSS BLOCK | | | DEPRECIATION | | | | | NET BLOCK | | |
|--------------|--|---------------------|--------------------------------|---------------|---------------------|---------------------|--------------------|-----------------|-------------------------|---------------------|---------------------|---------------------|
| | | AS AT 01.04.2002 | ACQUIRED ON AMALGAMATION | ADDITIONS | AS AT 31.03.2003 | AS AT 01.04.2002 | ON AMALGAMATION | FOR THE YEAR | FOR EARLIER YEARS | AS AT 31.03.2003 | AS AT 31.03.2003 | AS AT 31.03.2002 |
| 1 | LAND | 33,417 | - | - | 33,417 | - | - | - | - | - | 33,417 | 33,417 |
| 2 | BUILDINGS | 239,434 | - | 20,038 | 259,472 | 44,390 | - | 8,948 | - | 53,338 | 206,134 | 195,044 |
| 3 | PLANT & MACHINERY | 441,914 | 39 | 34,614 | 476,567 | 205,980 | 4 | 38,765 | - | 244,749 | 231,819 | 235,935 |
| 4 | FURNITURE & FIXTURES & OTHER OFFICE EQUIPMENTS | 105,744 | 17,412 | 1,204 | 124,359 | 67,662 | 8,189 | 9,108 | 154 | 85,112 | 39,246 | 38,080 |
| 5 | VEHICLES | 75,872 | 323 | 15,642 | 91,838 | 56,844 | 120 | 6,816 | - | 63,780 | 28,058 | 19,029 |
| TOTAL | | 896,381 | 17,774 | 71,498 | 985,653 | 374,876 | 8,313 | 63,636 | 154 | 446,979 | 538,674 | 521,505 |

SCHEDULE - 6

INVESTMENTS :

| | | | |
|------------------|--------------|------------|-----|
| Govt. Securities | | 256 | 256 |
| TOTAL | { A } | 256 | 256 |

QUOTED - EQUITY SHARES (FULLY PAID-UP) TRADE INVESTMENTS - LONG TERM

| | No of Shares | | |
|---|-----------------|--------------|--------------|
| Alembic Glass Industries Limited | 33 | 4 | 4 |
| Arlem Breweries Limited | 150 | 1 | 1 |
| Artos Breweries Limited | 225 | 2 | 2 |
| Excell Glass Limited | 500 | 5 | 5 |
| Haryana Breweries Ltd | - | - | 3 |
| Jupiter Breweries Limited | 300 | 3 | 3 |
| Pilsener Breweries Limited | 100 | 2 | 2 |
| Punjab Breweries Limited | 250 | 3 | 3 |
| Shaw Wallace and Co Ltd (Includes 1100 Bonus Shares) | 1700 | 6 | 6 |
| Sica Breweries Limited | - | - | 12 |
| Skol Breweries Limited | - | - | 2 |
| UB Limited | 139021 | 1,191 | 2,978 |
| Kingfisher Properties and Holdings Ltd. | 208531 | 1,787 | - |
| SUB TOTAL | | 3,004 | 3,021 |

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

| PARTICULARS | 31-03-2003 | 31-03-2002 |
|---|----------------|---------------|
| NON-TRADE INVESTMENTS - LONG TERM : | | |
| Chowgule Steam Shipping Limited | 17500 | 400 |
| GL Hotels Limited | 900 | 5 |
| GTC Industries Limited | 160 | 1 |
| Godfrey Phillips India Limited | 1600 | 14 |
| IDL Chemicals Limited | 1860 | 7 |
| Karnataka Bank Ltd | 5700 | 276 |
| Kasturi Foods & Chemicals Limited | 5000 | 50 |
| MOI Engineering Limited | 1400 | 10 |
| Metal Box India Limited | 365 | 4 |
| Modern Syntex (India) Ltd | 400 | 12 |
| Nestle India Ltd | 574 | 1 |
| (Includes 76 Bonus Shares) | | |
| Panchakala Malt Limited | 100 | 1 |
| Punjab National Bank | 14000 | 434 |
| State Bank of Travancore | 280 | 168 |
| SUB TOTAL | 1,383 | 901 |
| TOTAL { B } | 4,387 | 3,922 |
| MARKET VALUE OF QUOTED INVESTMENTS | 16,139 | 50,085 |
| UNQUOTED - EQUITY SHARES (FULLY PAID-UP) | | |
| TRADE INVESTMENTS - LONG TERM | | |
| Himalaya Distilleries Ltd | 12500 | 125 |
| United Glass Bottles Mfg Co Ltd | 13650 | 137 |
| Khoday Industries Pvt Ltd | 480 | 480 |
| SUB TOTAL | 742 | 742 |
| NON-TRADE INVESTMENTS - LONG TERM | | |
| Naveen Hotels Limited | 45000 | 450 |
| SUB TOTAL | 450 | 450 |
| TOTAL { C } | 1,192 | 1,192 |
| UNQUOTED - PREFERENCE SHARES (FULLY PAID-UP) | | |
| NON-TRADE INVESTMENTS - LONG TERM | | |
| Kirlosker Consultants Ltd | 5000 | 500 |
| (15% Redeemable Cumulative Preference Shares) | | |
| TOTAL { D } | 500 | 500 |
| INVESTMENTS IN FIRM | | |
| Lakshmi Estate | 622,021 | - |
| TOTAL { E } | 622,021 | - |
| TOTAL INVESTMENTS AT COST { A+B+C+D+E } | 628,356 | 5,870 |



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

| PARTICULARS | 31-03-2003 | 31-03-2002 |
|--|----------------|----------------|
| SCHEDULE - 7 | | |
| INVENTORIES : | | |
| (As valued and certified by the Management) | | |
| Stores, Spares and Fuel | 4,322 | 4,530 |
| Raw Materials & Goods Purchased for Resale | 134,014 | 102,706 |
| Semi-Finished Goods | 265,274 | 206,143 |
| Work - in - Progress | 3,466 | 1,366 |
| Finished Goods | 66,099 | 51,405 |
| TOTAL | 473,175 | 366,150 |
| SCHEDULE - 8 | | |
| SUNDRY DEBTORS : | | |
| (Unsecured, Considered Good) | | |
| Outstanding for More than Six Months | 149,144 | 172,351 |
| Other Debts | 222,538 | 210,794 |
| (Unsecured, Considered Doubtful) | | |
| Outstanding for more than six months | 928 | 928 |
| LESS: Provision for Doubtful Debts | 928 | 928 |
| TOTAL | 371,682 | 383,145 |
| SCHEDULE - 9 | | |
| CASH AND BANK BALANCES : | | |
| Cash on hand and in transit | 16,155 | 15,525 |
| Balances with Scheduled Banks | | |
| - In Current Account | 7,713 | 19,963 |
| - In Fixed Deposit Accounts | 25,165 | 23,696 |
| TOTAL | 49,033 | 59,184 |
| SCHEDULE - 10 | | |
| OTHER CURRENT ASSETS : | | |
| Interest Accrued on Fixed Deposits and Investments | 589 | 423 |
| TOTAL | 589 | 423 |

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

| PARTICULARS | 31-03-2003 | 31-03-2002 |
|--|----------------|------------------|
| SCHEDULE - 11 | | |
| LOANS & ADVANCES : | | |
| (Unsecured, considered good) | | |
| Advances recoverable in cash or in kind or for value to be received | 638,706 | 1,022,092 |
| Balance with Excise Authorities | 14,855 | 12,841 |
| Advance Payment for Income Tax (Net) | - | 8,343 |
| TOTAL | 653,561 | 1,043,276 |
| SCHEDULE - 12 | | |
| CURRENT LIABILITIES : | | |
| Sundry Creditors | | |
| - For Trade | 125,454 | 72,581 |
| - For Capital Goods | 8,085 | 4,772 |
| - For Expenses & Others | 214,691 | 173,467 |
| Advance from customers | 37,888 | 32,624 |
| Unclaimed dividends | 251 | 251 |
| Other liabilities | 133,464 | 76,093 |
| Interest accrued but not due | 1,260 | - |
| TOTAL | 521,093 | 359,788 |
| SCHEDULE - 13 | | |
| PROVISIONS : | | |
| For Taxation (Net) | 490 | - |
| For Retirement Benefits, etc., | 25,242 | 22,323 |
| TOTAL | 25,732 | 22,323 |



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

| PARTICULARS | 31-03-2003 | 31-03-2002 |
|---|------------------|------------------|
| SCHEDULE - 14 | | |
| MISCELLANEOUS EXPENDITURE : | | |
| (To the extent not written off or adjusted) | | |
| Preliminary Expenses | 7 | - |
| Deferred Revenue Expenditure | 34,476 | - |
| TOTAL | 34,483 | - |
| SCHEDULE - 15 | | |
| SALES : | | |
| Distillery - IML | 1,339,231 | 1,192,432 |
| Glass | 118,884 | 138,145 |
| Brewery | 214,543 | 169,383 |
| Others | 21,216 | 10,704 |
| Paper | 14,131 | 24,228 |
| Timber | - | 42 |
| Tissue Culture | - | 938 |
| Systems | 21,057 | - |
| TOTAL | 1,729,062 | 1,535,872 |
| SCHEDULE - 16 | | |
| OTHER INCOME : | | |
| Interest received (Gross) (TDS Rs. 3,27,999/- Previous Year Rs.4,56,895/-) | 4,130 | 2,415 |
| Dividend - From Trade | - | 533 |
| - From Non Trade | 236 | 153 |
| (TDS Rs. 33,108/- Previous Year Rs.NIL) | | |
| Income from Services | 4,330 | 4,724 |
| Misc.Income | 19,464 | 23,047 |
| Sundry Credit Balances forfeited | 9,335 | 26,741 |
| Baddebts Written Off recovered | - | 2,025 |
| Profit on Sale of Shares | 342 | - |
| TOTAL | 37,837 | 59,638 |

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

| PARTICULARS | 31-03-2003 | 31-03-2002 |
|---|----------------|-----------------|
| SCHEDULE - 17 | | |
| INCREASE / (DECREASE) IN STOCK : | | |
| CLOSING STOCK | | |
| Finished Goods | 66,099 | 51,405 |
| Semi-finished Goods | 265,274 | 206,143 |
| Work-in-progress | 3,466 | 1,366 |
| TOTAL { A } | 334,839 | 258,914 |
| OPENING STOCK | | |
| Finished Goods | 52,243 | 64,483 |
| Less : Stock used for Own Consumption | 124 | - |
| Semi-finished Goods | 206,143 | 210,977 |
| Work-in-progress | 3,466 | 1,922 |
| TOTAL { B } | 261,728 | 277,382 |
| Increase / (Decrease) in Stock { A - B } | 73,111 | (18,468) |
| SCHEDULE - 18 | | |
| CONSUMPTION OF RAW MATERIALS & PURCHASE FOR RESALE : | | |
| OPENING STOCK | | |
| Distillery | 73,876 | 58,706 |
| Glass | 9,758 | 8,470 |
| Brewery | 11,354 | 15,005 |
| Timber | 2,690 | 2,690 |
| Paper | 1,956 | 607 |
| Tissue Culture | - | 290 |
| Timber Divn. | 59 | 30 |
| Goods Purchased for Resale | 3,013 | 194 |
| TOTAL { A } | 102,706 | 85,992 |
| ADD: PURCHASES | | |
| Distillery | 366,413 | 280,964 |
| Glass | 83,707 | 72,816 |
| Brewery | 86,872 | 64,959 |
| Paper | 12,456 | 15,996 |
| Tissue Culture | - | 1,794 |
| Timber Divn. | - | 42 |
| Systems | 564 | - |
| Goods Purchased for Resale | 4,007 | 13,989 |
| TOTAL { B } | 554,019 | 450,560 |



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

| PARTICULARS | 31-03-2003 | 31-03-2002 |
|---|----------------|----------------|
| LESS: CLOSING STOCK | | |
| Distillery | 97,445 | 73,876 |
| Glass | 14,649 | 9,758 |
| Brewery | 10,314 | 11,354 |
| Timber | 2,690 | 2,690 |
| Paper | 5,640 | 1,956 |
| Timber Divn. | 59 | 59 |
| Systems | 387 | - |
| Goods Purchased for Resale | 2,830 | 3,013 |
| TOTAL { C } | 134,014 | 102,706 |
| Consumption and purchase for resale {A+B-C} | 522,711 | 433,846 |
| SCHEDULE - 19 | | |
| MANUFACTURING, ADMINISTRATIVE AND | | |
| SELLING EXPENSES : | | |
| Power, Fuel & Lighting Charges | 94,621 | 86,295 |
| Rent | 11,485 | 10,819 |
| Rates & Taxes | 57,746 | 36,535 |
| Call Centre Management Charges | 7,818 | - |
| Insurance | 4,779 | 4,004 |
| Royalty | 40,791 | 28,591 |
| Repairs & Maintenance : | | |
| - Electrical | 798 | 887 |
| - Plant & Machinery | 13,870 | 15,359 |
| - Buildings | 1,137 | 1,275 |
| - Vehicles | 11,446 | 18,718 |
| - Others | 2,737 | 4,617 |
| Freight, Octroi & Storage Exps | 30,915 | 36,762 |
| Demurrage | 2,272 | - |
| Excise Establishment Charges | 1,592 | 1,902 |
| Lease Rent | 29,416 | 49,434 |
| Travelling & Conveyance | 15,866 | 17,494 |
| Printing & Stationery | 3,461 | 4,141 |

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

| PARTICULARS | 31-03-2003 | 31-03-2002 |
|--------------------------------------|----------------|----------------|
| Postage, Telephone & Telegram | 10,532 | 8,522 |
| Books & Periodicals | 259 | 142 |
| Security Service Charges | 14,535 | 8,184 |
| Legal & Professional Charges | 12,247 | 10,857 |
| Remuneration to Directors | 1,500 | 1,977 |
| Directors' Sitting Fees | 34 | 47 |
| Auditor's Remuneration | | |
| - For Statutory Audit | 300 | 50 |
| - For Tax Audit | 85 | 10 |
| Cost Audit Fees | 16 | 16 |
| Donation | 76 | 553 |
| Commission & Discount on Sales | 9,318 | 5,106 |
| Sales Promotion | 54,988 | 50,572 |
| Advertisement | 2,493 | 4,083 |
| Service Charges | 161 | 1,260 |
| Bad Debts | - | 3,760 |
| Miscellaneous Expenses | 11,212 | 9,740 |
| Share of Loss in Partnership Firm | 29 | - |
| Exchange Variation | - | 277 |
| Loss on Sale of Car | - | 31 |
| Irrecoverable advances written off | 353 | 6,697 |
| TOTAL | 448,888 | 428,717 |
| SCHEDULE - 20 | | |
| PERSONNEL EXPENSES : | | |
| Salaries, Wages, Gratuity & Bonus | 93,139 | 83,868 |
| Staff Welfare Expenses | 10,263 | 11,286 |
| Employees Compensation | - | 675 |
| Contribution to P.F. and Other Funds | 7,566 | 6,573 |
| TOTAL | 110,968 | 102,402 |



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

| PARTICULARS | 31-03-2003 | 31-03-2002 |
|--|----------------|----------------|
| SCHEDULE - 21 | | |
| INTEREST & BANK CHARGES : | | |
| INTEREST | | |
| On Debentures | 19,252 | 15,349 |
| On Term Loan | 54,506 | 26,192 |
| On Others | 94,415 | 78,858 |
| BANK CHARGES | 6,051 | 9,050 |
| TOTAL | 174,224 | 129,449 |
| SCHEDULE - 22 | | |
| DEPRECIATION : | | |
| As per Schedule - 5 | 63,636 | 60,538 |
| Less: Transferred from Revaluation Reserve A/c | 27,353 | 27,353 |
| Less: Transferred to Deferred Revenue Expenditure | 425 | - |
| TOTAL | 35,858 | 33,185 |

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

PARTICULARS

I. Significant Accounting Policies

(a) Accounting Convention

The Financial Statements have been prepared under the Historical Cost Convention, except for Fixed Assets, which have been revalued as stated in (c) below. The Financial Statements materially comply with the Accounting Standards issued by the Institute of Chartered Accountants of India.

(b) Estimates and Assumptions

Preparation of Financial Statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the Balance Sheet and the reported amounts of income and expenses during the reporting period. Examples include bad debts written off, useful life of assets, etc. Actual results may differ from these estimates.

(c) Fixed Assets

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties (net off CENVAT credit) and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalised. Expenses capitalised also include applicable borrowing costs.

The cost of assets acquired under hire purchase is capitalised to the extent of the principal value.

Certain Assets comprising of Land, Building, Plant & Machinery, Furniture & Fittings and Other Office Equipments have been revalued on 31-03-1999 and the resultant surplus of Rs.4,32,900 Thousands on such revaluation over the written down value of these assets has been added to the cost of the assets and credited to the Revaluation Reserve account.

(d) Capital Work-In-Progress

Advances paid towards the acquisition of fixed assets and the cost of assets under installation / construction / not put to use before the year-end are disclosed under Capital Work-in-progress.

(e) Deferred Revenue Expenditure

Deferred Revenue Expenditure is written off over a period of 5 years from the year of the commencement of commercial production.

**SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT****SCHEDULE - 23****PARTICULARS****(f) Depreciation**

Depreciation has been provided on fixed assets, except Oakwood Barrels, at the rates mentioned in Schedule XIV to the Companies Act, 1956, on written down value method in respect of certain assets and straight line method in respect of others. Depreciation on Oakwood barrels has been provided on written down value method @ 20% based on technical evaluation. Depreciation is provided on pro-rata basis on additions and deletions from the date the assets were put to use or up to the date of sale / transfer, *as the case may be. However, assets costing Rs.5,000/- and below are depreciated in full.*

The depreciation charged to the Profit and Loss account is net of depreciation on Revalued Amounts being the recoupment from the Revaluation Reserve representing the difference between the depreciation for the year on the revalued amount of assets and depreciation calculated on their original cost.

(g) Foreign Currency Transactions

Foreign Currency Transactions are accounted at the exchange rate on the transaction date. Outstanding year-end balances are translated at the forward contract rates or year-end exchange rate, as applicable. Resultant difference together with gains / losses on settlement of transactions are taken to Profit and Loss Account except that exchange differences on long term liabilities utilised for acquisition of Fixed Assets adjusted to the cost of related Fixed Assets.

(h) Borrowing Cost

Borrowing costs attributable to acquisition and construction of assets are capitalised as part of the cost of such asset up to the date when such asset is ready for its intended use. Borrowing costs that are attributable to 'Maturation stocks' has been considered for valuation of semi-finished goods, as these stocks require a substantial period of time to bring them to saleable condition. Other Borrowing Costs are treated as revenue expenditure.

(i) Investments

Current Investments are stated at lower of cost and fair value and Long-term Investments are stated at cost. Wherever applicable, provision is made where there is a permanent decline in the value of Long-term Investments.

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

(j) Inventories

(i) Raw Materials, Stores, Spares and Fuel are valued at cost.

(ii) Work-in-Progress:

(a) Semi-Finished Goods are valued at cost and Work-in-Progress relating to contracts are valued at estimated net realisable value.

(b) Software under development is shown as Work-in-Progress and is valued at cost.

(iii) Finished Goods:

(a) Finished Goods are valued at lower of Cost or Net Realisable Value.

(b) Stock of Traded Goods are valued at lower of cost or Net Realisable Value.

The cost is calculated on First-in First-Out Method and comprises of expenditure incurred in the normal course of business in bringing such inventories to its present location and includes, wherever applicable, appropriate overheads based on normal level of activity.

(k) Sundry Debtors / Loans and Advances

Sundry Debtors and Loans and Advances are stated after making adequate provision for doubtful balances.

(l) Revenue Recognition

(i) Sales are recognised on accrual basis. Sales are net of returns and sales tax collected is not included in sales. Sales include excise duty and additional excise duty.

(ii) Dividend on Investments is accounted in the year in which the right to receive is established.

(iii) Contract Revenue:

(a) Income in respect of construction contracts is recognised on percentage of completion method.

(b) Income from Software Development is recognised based on terms of specific contract.

(iv) Income from services are recognised in accordance with the terms of the contract.

(v) Income from training is recognised upon the completion of the course.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

(m) Expenditure

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

(n) Leases

- (i) Finance lease payments are apportioned between Finance Charges and reduction of lease liability as per the relevant agreements.
- (ii) Operating Lease payments are recognised in the Profit and Loss Account over the lease term.

(o) Income Tax

Provision for taxation includes current tax and deferred tax.

- (i) The current charge for income tax is based on the tax liability computed after considering tax allowances and exemptions.
- (ii) *Deferred tax asset or liability is recognised for timing differences between the profit as per financial statements and profit offered for income tax purposes, using current tax rates. Deferred tax assets are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which they can be realised. The carrying amount of deferred tax assets / liabilities, if any, is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets/liabilities to be utilized.*

(p) Retirement Benefits

- (i) Provision for Gratuity is made in accordance with the Payment of Gratuity Act, 1972.
- (ii) Employees Leave Encashment Benefit on Retirement is accounted on accrual basis.
- (iii) Retirement benefits in the form of Provident Fund, Superannuation / Pension schemes in pursuance of any law for the time being in force is accounted for on accrual basis and charged to the Profit and Loss Account of the year.

(q) Contingent Liabilities

All the liabilities have been provided for in the accounts except liabilities of a contingent nature, which have been disclosed at their estimated value in the notes to the accounts.

(r) Prior Year Adjustments

Income / Expenditure are disclosed in Prior Year Adjustments only when the value exceeds Rupees One Lakh in each case.

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

(s) Inter-Division Transfers

Inter-division transfer of goods as independent marketable products produced by separate divisions are included in the respective heads of account to reflect the true working of the respective divisions.

(t) Preliminary Expenses

Preliminary expenses has been amortized as per Section 35D of the Income Tax Act, 1961.

(u) Excise Duty

Excise duties recovered are included in the sale of products. Excise duty paid on despatches and in respect of finished goods lying at factory premises and depots are shown separately as an item of excise duty and import fee in the Profit and Loss account and included in the valuation of Finished Goods.

2. Amalgamation

In accordance with the Scheme of Amalgamation of the erstwhile Khodayss Systems Limited with the Company as approved by the members at a meeting convened by the Honourable High Court of Karnataka held on 13-05-2003, and subsequently sanctioned by the Honourable High Court of Karnataka, vide order dated 22-08-2003, the Assets and liabilities of Khodayss Systems Limited were transferred to and vested in the Company with effect from 01-04-2002. The scheme has, accordingly, been given effect in the current year accounts.

The operations of Khodayss Systems Limited include trading of Computers, embedded software solutions, software development and other proposed allied activities.

The Amalgamation has been accounted for under the "Pooling of Interest" Method as prescribed in the Accounting Standard for Accounting for Amalgamation (AS 14) issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and losses of Khodayss Systems Limited has been taken over at their book value as specified in the Scheme of Amalgamation. Accordingly, Rs. 69,231 thousands has been credited to General Reserve taken over.

Pursuant to the Scheme of Amalgamation, 2,30,76,923 equity shares of Rs. 10/- each of the company are to be issued to the shareholders of Khodayss Systems Limited in the ratio of 10 Fully paid-up equity shares of the company for every 13 fully paid-up Equity shares of Rs. 10/- each in Khodayss Systems Limited. Notice has been given to the Stock Exchanges where the company's equity shares are listed fixing 29-09-2003 as the record date for this purpose. Pending allotment, an amount of Rs. 230,769,230 has been included in the Share Capital Suspense Account as at 31st March, 2003.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

| PARTICULARS | 2002 - 2003 | 2001 - 2002 |
|---|---------------|---------------|
| 3. Earnings Per Share | | |
| Profit after Taxation as per Profit and Loss Account | 29,671 | 37,660 |
| Number of Shares (A) | 1,45,67,448 | 1,45,67,448 |
| Number of Shares in Suspense Account (B) | 7,61,571 | - |
| Number of Shares in Suspense Account * (C) | 18,59,613 | - |
| Total Number of Shares (D) = (A) + (B) + (C) | 1,71,88,632 | - |
| Earnings per Share – Basic (in Rs.) [PAT/(A)] | 2.04 | 2.59 |
| Earnings per Share – Diluted (in Rs.) [PAT/(D)] | 1.73 | - |
| Face Value per Share (in Rs.) | 10.00 | 10.00 |
| (* Weighted Average) | | |
| 4. Leases | | |
| The Company has taken certain assets on operating lease. The amount of further minimal lease payments are stated below: | | |
| Less than 1 year | 17,640 | 19,670 |
| Later than 1 year & not later than 5 years | Nil | Nil |
| Later than 5 years | Nil | Nil |
| 5. Deferred Tax - Net | | |
| The deferred tax liability (Net) as at 31 st March 2003 comprises of the following: | | |
| <u>Deferred Tax Liabilities:</u> | | |
| On depreciation Differences | 13,177 | 26,634 |
| On deferred Revenue Expenditure | 11,940 | - |
| On others | 17,721 | 11,624 |
| TOTAL [A] | 42,838 | 38,258 |
| <u>Deferred Tax Assets:</u> | | |
| On provision for Entry Tax | 1,063 | 1,068 |
| On Employees Benefits | 14,977 | 8,037 |
| On unabsorbed tax losses and depreciation | 16,473 | - |
| TOTAL [B] | 32,513 | 9,105 |
| Net Deferred Tax Liabilities [A] - [B] | 10,325 | 29,153 |

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

6. Segment Reporting

The Company has Considered Business Segment as reporting segment and accordingly identified Liquor, Glass, Tissue Culture and Systems divisions as Business Segments. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisation structure and internal reporting system.

Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identified to each of the segments and amounts allocated on a reasonable basis.

Inter Segment Transfer Pricing Policy – Broken Glass Pieces and computer peripherals supplied to Glass, Glass supplied to Liquor are based on market price.

[A] PRIMARY INFORMATION

[Rupees in Thousands]

| PARTICULARS | 2002 - 2003 | | | 2001 - 2002 | | |
|-----------------------------|-------------|---------------|-----------|-------------|---------------|-----------|
| | SALES | | | SALES | | |
| | External | Inter-Segment | TOTAL | External | Inter-Segment | TOTAL |
| SEGMENT REVENUE | | | | | | |
| Liquor | 1,553,774 | - | 1,553,774 | 1,361,815 | - | 1,361,815 |
| Glass | 32,531 | 86,352 | 118,884 | 56,478 | 81,667 | 138,145 |
| Tissue Culture | - | - | - | 938 | - | 938 |
| Systems | 21,056 | 1 | 21,057 | - | - | - |
| Others | 31,643 | 3,705 | 35,347 | 34,808 | 166 | 34,974 |
| TOTAL | 1,639,004 | 90,058 | 1,729,062 | 1,454,039 | 81,833 | 1,535,872 |
| SEGMENT RESULTS | | | | | | |
| Liquor | | | 84,241 | | | 133,333 |
| Glass | | | (48,824) | | | (34,837) |
| Tissue Culture | | | - | | | (27,364) |
| Systems | | | (14,650) | | | - |
| Others | | | (11,394) | | | (9,731) |
| TOTAL | | | 9,373 | | | 61,401 |
| Unallocated Expenses | | | (1,966) | | | 2,084 |
| Operating profit | | | 7,407 | | | 59,317 |



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

| PARTICULARS | 2002 - 2003 | 2001 - 2002 |
|---|---------------|---------------|
| PRIMARY INFORMATION (Continued...) | | |
| INTEREST INCOME | | |
| Liquor | 4,290 | 2,783 |
| Glass | 21 | 317 |
| Tissue Culture | - | - |
| Systems | 55 | - |
| Others | - | - |
| TOTAL | 4,366 | 3,100 |
| EXCEPTIONAL ITEMS | | |
| Liquor | - | 1,805 |
| Glass | - | 520 |
| Tissue Culture | - | - |
| Systems | - | - |
| Others | - | 350 |
| TOTAL | - | 2,675 |
| INCOME TAX | | |
| Current Tax | (930) | 20,500 |
| Deferred Tax | 18,828 | 1,582 |
| TOTAL | 17,898 | 22,082 |
| PROFIT AFTER TAX | 29,671 | 37,660 |

[B] OTHER INFORMATION

| | Segment Assets | Segment Liabilities | Segment Assets | Segment Liabilities |
|-----------------|-------------------|------------------------|-------------------|------------------------|
| SEGMENTS | | | | |
| Liquor | 1,254,436 | 1,452,425 | 1,145,606 | 324,730 |
| Glass | 109,021 | 95,029 | 172,503 | 37,436 |
| Tissue Culture | 9 | 123 | 9 | 179 |
| Systems | 281,506 | 135,459 | - | - |
| Others | 74,639 | 27,766 | 75,239 | 19,766 |
| TOTAL | 1,719,611 | 1,710,802 | 1,393,357 | 382,111 |

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

| PARTICULARS | 2002 - 2003 | | 2001 - 2002 | |
|---------------------------------|------------------------|----------------|------------------------|---------------|
| | Capital Expenditure | Depreciation | Capital Expenditure | Depreciation |
| SEGMENTS | | | | |
| Liquor | 39,576 | 22,962 | 29,329 | 47,955 |
| Glass | 36,850 | 9,481 | 9,226 | 8,752 |
| Tissue Culture | - | - | - | - |
| Systems | 159,848 | 1,945 | - | - |
| Others | - | 1,471 | 41 | 3,831 |
| TOTAL | 236,274 | 35,859 | 38,596 | 60,538 |
| Total Assets Exclude | | | | |
| INVESTMENTS | | | | |
| Liquor | | 628,334 | | 5,849 |
| Glass | | - | | - |
| Tissue Culture | | - | | - |
| Systems | | - | | - |
| Others | | 21 | | 21 |
| TOTAL | | 628,355 | | 5,870 |
| FIXED DEPOSITS WITH BANK | | | | |
| Liquor | | 23,793 | | 22,772 |
| Glass | | 32 | | 756 |
| Tissue Culture | | - | | - |
| Systems | | 1,173 | | - |
| Others | | 167 | | 168 |
| TOTAL | | 25,165 | | 23,696 |
| ADVANCE INCOME TAX | | | | |
| Liquor | | - | | 8,323 |
| Glass | | - | | - |
| Tissue Culture | | - | | - |
| Systems | | - | | - |
| Others | | - | | 20 |
| TOTAL | | - | | 8,343 |



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

| PARTICULARS | 2002 - 2003 | 2001 - 2002 |
|-----------------------------------|----------------|------------------|
| OTHER LOANS & ADVANCES | | |
| Liquor | 607,844 | 1,035,356 |
| Glass | - | - |
| Tissue Culture | - | - |
| Systems | 80,200 | - |
| Others | - | - |
| TOTAL | 688,044 | 1,035,356 |
| Total Liability Excludes | | |
| DEFERRED TAX LIABILITIES | | |
| Liquor | 10,325 | 29,153 |
| Glass | - | - |
| Tissue Culture | - | - |
| Systems | - | - |
| Others | - | - |
| TOTAL | 10,325 | 29,153 |

7. Related Party Disclosure as per Accounting Standard - 18

(i) The list of related parties as identified by the management are as under:

(a) Associates

- Acqua Borewells Private Limited
- Blendwell Bottlers Private Limited
- Elkay Distilleries Private Limited
- Elkay Pharmaceuticals Private Limited
- Elkay Steels Co Limited
- Elkay Tradings Corporation Private Limited
- Five Brothers Marketing Private Limited
- Forest Resort (Bandipur) Limited
- Gayathri Bottling Co Private Limited
- Gayathri Foundation
- Gayathri Holdings Private Limited
- Habib Distilleries Private Limited
- Honeywell Business Private Limited
- Hercules Construction Private Limited
- Ingo Property Developers Private Limited
- Jaypee Shoes Private Limited

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

Kanakapura Tradings Private Limited
Khoday Business Private Limited
Khoday Control Systems Private Limited
Khoday Hotels Private Limited
Khoday International Ltd
Khoday Industries (Hyderabad) Private Limited
Khoday Industries (Kottayam) Private Limited
Khoday Industries (Kuppam) Private Limited
Khoday Industries Private Limited
Khoday Times Private Limited
Khoday Tunas Electricals Private Limited
Khodays and Inver House (India) Private Limited
Khodayss Breweries Limited
Khodayss Technologies Limited
L.K. Polyfibre Limited
L.K. Power Corporation Limited
L.K. Trust
McDonald Distilleries Private Limited
McDonald Tradings Private Limited
Narasimha Sugars Limited
Narmada Distilleries Private Limited
National Distilleries Limited
North India Distilleries Private Limited
Panchaganga Tradings Private Limited
Panchakalyani Tradings Private Limited
Patna Distilleries Private Limited
Peninsula Skyways Private Limited
PeterScot Tradings Private Limited
Ram Mohan and Company Private Limited
River Resorts Ltd
Solar Cells Private Limited
Spring Borewell Company Private Limited
Sri Gurunath Tradings Private Limited
Surya Sugars Limited
Surya Watch Industries Limited



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

The Distillers Company Private Limited
 Tiger Breweries Limited
 Trishul Wineries and Distilleries Private Limited
 United Glass Bottles Manufacturing Company Limited
 Universal Business Concepts Private Limited
 Vaijayanti Tradings Private Limited
 Vaishnavi Communications Private Limited
 Viva Breweries Private Limited
 Viva Distilleries Private Limited
 Walvekar Sales & Mercantile Private Limited
 Wescopower Generation Limited
 Winrocs Limited

(b) Key Management Personnel of the Company

| | | |
|-------------------------|---|-------------------------|
| Sri K.L. Ramachandra | - | Non-Executive Chairman |
| Sri K.L. Srihari | - | Managing Director |
| Sri K.L.A. Padmanabhasa | - | Joint Managing Director |
| Sri K.L. Swamy | - | Executive Director |

(c) Relatives of Key Management Personnel

Sri K.R. Nithyananda
 Sri K.H. Gurunath
 Sri K.H. Srinivas
 Sri K.S. Giridhar
 Sri K.R. Dayananda
 Sri K.H. Radeshayam
 Sri K.L. Narayansa
 Smt Rajalakshmi Srihari
 Smt Gulab P Khoday
 Smt Lalitha Swamy Khoday
 Smt Padma N Khoday

(d) Significant Influence

Bangalore Leather Garments
 Bangalore Personal Care
 Elkay Farm
 General Mining & Minerals

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

Hoodi Brick Works
K. Lakshmansa & Co.,
Khoday Ayurvedic Specialities
Khoday Brothers
Khoday Enterprises
Khoday Eswarsa & Sons
Khoday Fashions
Khoday Herbal Care
Khoday Laboratories
Khoday Oil
Khoday Overseas Corporation
Khoday Pustak Bhandar
Khoday Sanchar Nigam
Lakshmi Estate
Murugan Enterprises
Nithyananda Enterprises
Ransh Coffee Estate
Sree Gurunath Panels
Tiruvonam Wines
Universal Trading Company
VEL Beedies
Vindhya Distilleries
Yajaman Enterprises

(ii) The following transactions were carried out with the related parties:

(a) Associates

[Rupees in Thousands]

| Sl. No. | Particulars | 2002-2003 | 2001-2002 |
|---------|---|-----------|-----------|
| 1. | Purchase of Goods/Services | 39,685 | 45,093 |
| 2. | Sale of Goods/Services | 33,545 | 39,324 |
| 3. | Purchase of Fixed Assets | 356 | - |
| 4. | Leasing Arrangements | 25,430 | 24,434 |
| 5. | Advance given towards Equity Shares | - | 1,15,640 |
| 6. | Balance outstanding as at 31-Mar-2003(Dr) | 1,56,422 | 3,83,506 |
| 7. | Guarantee & Collateral obtained from* | 4,67,021 | 3,85,330 |



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

| Sl.No. | PARTICULARS | 2002 - 2003 | 2001 - 2002 |
|--|---|-------------|-------------|
| (b) Key Management Personnel | | | |
| 1. | Sale of Goods/Services | 55 | 158 |
| 2. | Remuneration | 1,500 | 1,528 |
| 3. | Balance outstanding as at 31-Mar-2003(Cr) | 5,443 | - |
| 4. | Guarantee & Collateral obtained from* | 47,607 | - |
| (c) Relatives of Key Management Personnel | | | |
| 1. | Remuneration | - | 477 |
| 2. | Balance outstanding as at 31-Mar-2003(Cr) | 33,567 | 4,864 |
| (d) Significant Influence | | | |
| 1. | Purchase of Goods/Services | 696 | 483 |
| 2. | Sale of Goods/Services | 31,227 | 39,941 |
| 3. | Leasing Arrangements | 5,000 | 25,000 |
| 4. | Guarantee & Collateral obtained from * | 94,283 | 1,03,337 |
| 5. | Investment in Partnership Firms | 6,22,050 | - |
| 6. | Balance outstanding as at 31-Mar-2003(Dr) | 2,46,919 | 5,50,019 |

* Includes personal guarantee given by Key Management Personnel and their relatives.

8. Contingent Liabilities

| | | | |
|----|--|--------|--------|
| 1. | Claims against the company not acknowledged as debts | 29,573 | 26,836 |
| 2. | (i) Disputed Sales Tax not provided | 18,266 | 59,456 |
| | (ii) Disputed Income Tax not provided | 19,891 | 994 |
| 3. | Guarantees/Counter-guarantees given to Banks/ Financial Institutions / Government Departments | 21,306 | 20,161 |

9. Capital Commitments

| | | |
|---|--------|-------|
| Estimated Value of contracts remaining to be executed on Capital Account to the extent not provided in the accounts. | 29,400 | 7,500 |
|---|--------|-------|

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

| Sl.No. | PARTICULARS | 2002-2003 | 2001-2002 |
|--------|--|-----------|-----------|
| 10. | Confirmation of balance for certain sundry debtors, sundry creditors, advance received and loans and advances are awaited. Balances in the account of certain debtors, creditors and loans and advances require to be reconciled. However, in the opinion of the Management, all current assets, loans and advances including advances on capital account, would realize, in the normal course of business, the value stated in the balance sheet. | | |
| 11. | Advances Include: | | |
| 1. | Due from companies under the same management: | | |
| | Acqua Borewells Private Limited | 173 | 170 |
| | Elkay Distilleries Private Limited | 4 | - |
| | Gayathri Holdings Private Limited | 2,208 | 684 |
| | Khoday Business Private Limited | 2 | - |
| | McDonald Distilleries Private Limited | 2 | - |
| | Patna Distilleries Private Limited | 2 | - |
| | Peninsula Skyways Private Limited | 3 | - |
| | Spring Borewell Company Private Limited | 38 | - |
| | The Distilleries Company Private Limited | 17,781 | 14,753 |
| | Vviva Distilleries Private Limited | 1 | - |
| | (Maximum Amount Outstanding at any time during the year Rs. 20214) | | |
| 2. | Due from private companies in which any Director is a director or a member | 3,129 | 19,450 |
| 3. | Due from Firms in which any Director is a partner | 27,067 | 3,87,069 |
| 12. | Sundry Debtors include: | | |
| 1. | Due from companies under the same management: | | |
| | Elkay Tradings Corporation Private Limited | 7 | 7 |
| | Gayathri Holdings Private Limited | 2 | 2 |
| | Khoday Hotels Private Limited | 287 | 287 |
| | Khoday Industries (Kuppam) Private Limited | 11 | 11 |
| | Khoday Industries Private Limited | 1,511 | 1,714 |
| | North India Distilleries Private Limited | 547 | 1,293 |
| | Tiger Breweries Limited | 25 | 25 |
| | West India Distilleries Private Limited | 2,057 | 2,057 |
| | (Maximum Amount Outstanding at any time during the year Rs. 4447) | | |
| 2. | Due from private companies in which any Director is a director or a member | 28,764 | 31,241 |
| 3. | Due from Firms in which any Director is a partner | 9,930 | 57,720 |



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

| PARTICULARS | 2002-2003 | | 2001-2002 | | |
|---|-----------|-------------|------------------|-------------|-----------|
| 13. Sales Turnover: | | | | | |
| | Unit | Qty | Value | Qty | Value |
| Distillery – IML | B.L | 6964878.195 | 1,149,550 | 7384026.675 | 1,192,432 |
| Brewery – BEER | B.L | 7270657.320 | 214,543 | 5448526.200 | 169,383 |
| Glass | M.T | 9336.435 | 118,884 | 10758.577 | 138,145 |
| Paper | M.T | 564.151 | 14,131 | 760.587 | 24,228 |
| Tissue Culture | Nos. | — | — | 108500.000 | 938 |
| RCA – IML | B.L | 1126693.800 | 189,681 | — | — |
| Systems | Nos. | 89.000 | 867 | — | — |
| Others | | | 41,406 | | 10,746 |
| Total Sales | | | 1,729,062 | | 1,535,872 |
| Less: Excise Duty | | | 515,419 | | 375,635 |
| Net Sales | | | 1,213,643 | | 1,160,237 |
| 14. Particulars of Materials Consumed: | | | | | |
| (a) Distillery | | | | | |
| Barley Malt | Kgs | 3559250 | 51,527 | 2792675 | 41,196 |
| Rectified Spirit | Lts | 2645910 | 29,298 | 2168830 | 18,913 |
| Molasses | M.T | 10450 | 30,997 | 9518.820 | 21,291 |
| Empty Glass Bottles | Nos. | 13949303 | 73,154 | 14996883 | 75,506 |
| Cartons | Nos. | 6881023 | 23,604 | 10510541 | 29,235 |
| Others | | | 96,713 | | 79,651 |
| | | | 305,293 | | 265,794 |
| (b) Glass | | | | | |
| Soda Ash | M.T | 1474.570 | 15,890 | | 10,619 |
| Cullets | M.T | 2283.476 | 5,284 | | 13,823 |
| Silica/Quartz Sand | M.T | 4721.290 | 4,989 | | 3,360 |
| Others | | | 52,653 | | 43,726 |
| | | | 78,816 | | 71,528 |
| (c) Brewery | | | | | |
| Malt | Kgs | 1056490 | 15,701 | 922955 | 14,065 |
| Hops/Hops Pellets | Kgs | 3217.600 | 1,035 | 2970.238 | 762 |
| Sugar | Kgs | 245860 | 3,480 | 213850 | 3,236 |
| Empty Glass Bottles | Nos | 12818417 | 43,666 | 8670837 | 30,802 |
| Cartons | Nos | 1145436 | 7,209 | 785845 | 5,729 |
| Others | | | 16,821 | | 14,015 |
| | | | 87,912 | | 68,609 |

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

| PARTICULARS | | 2002-2003 | | 2001-2002 | |
|--|------|------------|-----------------------|------------|-----------------------|
| | Unit | Qty | Value | Qty | Value |
| (d) Timber | F.T | | — | | 13 |
| (e) Paper | | | | | |
| Waste Paper | M.T | 769.29 | 7,784 | 898.123 | 9,538 |
| Others | | | 989 | | 5,109 |
| | | | <u>8,773</u> | | <u>14,647</u> |
| (f) Tissue Culture | | | — | | 2,084 |
| (g) R C A | | | | | |
| Rectified Spirit | Lts | 574150 | 16,700 | — | — |
| Empty Glass Bottles | Nos | 4590211 | 12,151 | — | — |
| Cartons | Nos | 131097 | 2,446 | — | — |
| Others | | | 6,253 | — | — |
| | | | <u>37,550</u> | | <u>—</u> |
| (h) Systems | | | | | |
| PCB | Nos | 152 | 47 | — | — |
| ICS | Nos | 2109 | 61 | — | — |
| Others | | | 69 | — | — |
| | | | <u>177</u> | | <u>—</u> |
| 15. Purchase of goods for Resale: | | | | | |
| Distillery – IML | B.L | 4532.100 | 1,006 | 675.000 | 172 |
| R C A – IML | B.L | 9382.320 | 1,682 | | — |
| Systems | | | 500 | | — |
| Others | | | 1,002 | | 10,999 |
| | | | <u>4,190</u> | | <u>11,171</u> |
| Total Consumption & Purchase for Resale [14 + 15] | | | <u>522,711</u> | | <u>433,846</u> |
| 16. Inventory – Finished Goods: | | | | | |
| Opening Stock | | | | | |
| Distillery – IML | B.L | 343504.680 | 28,358 | 474553.150 | 30,703 |
| Brewery – BEER | B.L | 58344.000 | 964 | 71806.800 | 1,240 |
| Glass | M.T | 1658.010 | 20,902 | 2446.907 | 30,772 |
| Paper | M.T | 57.012 | 1,181 | 72.975 | 1,766 |
| RCA – IML | B.L | — | — | — | — |
| Systems | | | 838 | | — |
| | | | <u>52,243</u> | | <u>64,483</u> |



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

| PARTICULARS | 2002-2003 | | | 2001-2002 | |
|----------------------|-----------|------------|---------------|------------|---------------|
| | Unit | Qty | Value | Qty | Value |
| Closing Stock | | | | | |
| Distillery – IML | B.L | 458549.520 | 45,120 | 343504.680 | 28,356 |
| Brewery – BEER | B.L | 44454.120 | 845 | 58344.000 | 964 |
| Glass | M.T | 1255.795 | 15,902 | 1658.010 | 20,902 |
| Paper | M.T | 82.042 | 1,938 | 57.012 | 1,181 |
| RCA – IML | B.L | 23347.800 | 1,596 | — | — |
| Systems | | | 698 | — | — |
| | | | 66,099 | | 51,405 |

17. Licenced & Installed Capacity:

Licenced Capacity

| | | |
|------------|-----------|-----------|
| Distillery | N.A. | N.A. |
| Brewery | N.A. | N.A. |
| Glass | 18000 M.T | 18000 M.T |
| Paper | 10000 M.T | 10000 M.T |
| R C A | N.A. | N.A. |
| Systems | N.A. | N.A. |

Installed Capacity

[Installed capacities are as certified by the Management and not verified by the Auditor, being a technical matter]

| | | |
|------------|-------------|-------------|
| Distillery | 63000 K.Lts | 63000 K.Lts |
| Brewery | N.A. | N.A. |
| Glass | 18000 M.T | 18000 M.T |
| Paper | 1000 M.T | 1000 M.T |
| R C A | N.A. | N.A. |
| Systems | N.A. | N.A. |

18. Production:

| PARTICULARS | UNIT | QUANTITY | QUANTITY |
|-----------------|------|--------------------|-----------------|
| Distillery | B.L | 7099237.920 | 7252976.205 |
| Less: Breakages | B.L | 19314.885 | 7245311.070 |
| Brewery | B.L | 7079923.035 | 7667.135 |
| Glass | M.T | 7256767.440 | 5435063.400 |
| Paper | M.T | 6934.220 | 9969.680 |
| Tissue Culture | Nos. | — | 744.624 |
| R C A | B.L | 1150041.600 | — |
| Systems | Nos. | 89.000 | — |

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

| PARTICULARS | 2002-2003 | 2001-2002 |
|---|----------------------|--------------------------|
| 19. CIF Value of Imports: | Value | Value |
| Raw Materials | 8,409 | 15,339 |
| Capital Goods | 30,574 | - |
| 20. Consumption of Imported and Indigenous Materials & Components: | | |
| Imported | 2.72% 14,198 | 2.99% 12,962 |
| Indigenous | 97.28% 508,512 | 97.01% 420,884 |
| 21. Expenditure in Foreign Currency | | |
| For Travel | 864 | 286 |
| Technical Fees | - | 165 |
| Others | 3409 | 277 |
| 22. Earnings in Foreign Currency | | |
| FOB Value of Exports | 19769 | 938 |
| 23. Payments made or provided for Directors | | |
| Directors' sitting fees | 34 | 47 |
| Managerial Remuneration | 1,500 | 1,977 |
| <p>In view of the Managerial Personnel waiving the commission payable and also due to inadequacy of profits, the remuneration paid to the managerial personnel is within the limits specified in Schedule XIII and as approved by the shareholders. Hence, the net profit computation under Section 349 has not been disclosed.</p> | | |
| 24. Investment in Lakshmi Estate | | |
| Name of the Partners | Total Capital | Share of Partners |
| Khoday India Limited | 6,22,021 | 75.00% |
| K.L. Ramachandra – HUF | 5,1835 | 6.25% |
| K.L. Srihari – HUF | 5,1835 | 6.25% |
| K.L.A.Padmanabhasa – HUF | 5,1835 | 6.25% |
| K.L. Swamy – HUF | 5,1835 | 6.25% |
| TOTAL | 82,93,61 | 100.00% |



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

25. Residual value of assets acquired under lease has been capitalized after obtaining "No Dues" certificate from the lessors.
26. Loans and Advances include Rs. 3,33,800 thousands towards Lease Deposit.
27. Fixed Deposit Receipts for Rs. 11,462 thousands have been lodged with the Banks towards margin money for guarantee.
28. As information relating to small-scale units having business relations with the company is not readily available, such information is not furnished.
29. In respect of the bottling arrangement entered into by the company, there are claims and counter claims amounting to Rs.7,828 thousands. No entry has been passed in the books pending settlement of such claims. The same will be made as and when the claims are settled.
30. Semi-finished stock includes Malt Spirit , Neutral Spirit kept for maturation over a varying period of time ranging from 2 to 6 years. The relevant carrying cost of inventory represented by interest of Rs. 35,232 thousands on borrowed capital towards such stock has been included as cost for the purpose of valuation.
31. Rates & Taxes include Entry Tax on rectified spirit pertaining to previous years to the extent of Rs. 6,043 thousands which has crystallized during the year.
32. Purchase of Raw Materials (Distillery) includes Stock received on loan basis from Khoday Eshwarsa & Sons to the extent of Rs 24,772 Thousands which is returnable.
33. Expenditure incurred during construction period:
 - (a) Capital Work- in -Progress (Call Centre) Represents amount incurred for setting up the Call Centre which is Under Construction as on the Balance Sheet date.
 - (b) The expenditure directly incurred in connection with construction activity are treated as capital expenditure. Amount incurred towards training and other expenditure for conducting trials etc. are treated as preoperative expenses and accounted as deferred revenue expenditure. As the commercial production has not commenced the entire expenditure incurred amounting to Rs.34,476 thousands will be written off from the year of commencement of Commercial Production as per the Accounting Policies of the Company.
34. In view of the Amalgamation of Khodayss Systems Limited with effect from 01-APR-2002, the figures for the current year are not comparable with those of the previous year. Previous year's figures have been reclassified and regrouped, wherever necessary, to conform to the current year's presentation.

K. L. RAMACHANDRA
Chairman

K. L. SRIHARI
Vice - Chairman
Managing Director

As per my report of even date

Place: Bangalore
Date : 26-11-2003

M. S. MAYYA
Company Secretary

S. SUKUMAR
Chartered Accountant

KHODAY INDIA LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2003

[Rupees in Thousands]

| PARTICULARS | 2002-2003 | 2001-2002 |
|--|------------------|------------------|
| A. Cash flow from Operating Activities | | |
| Net Profit/(Loss) before Tax | 11,774 | 59,742 |
| Adjustments for: | | |
| Depreciation | 35,858 | 33,185 |
| Loss/(Profit) on sale of Investments | (342) | - |
| Loss/(Profit) on sale of Fixed Assets | - | 31 |
| Interest Income | (4,130) | (2,415) |
| Dividend Income | (236) | (686) |
| Interest & Bank Charges | 174,223 | 129,449 |
| Operating Profit before Working Capital Changes | 217,147 | 219,306 |
| Adjustments for: | | |
| (Increase)/Decrease in Sundry Debtors | 16,454 | (78,795) |
| (Increase)/Decrease in Inventories | (103,901) | 1,552 |
| (Increase)/Decrease in Loans & Advances | 431,234 | (54,947) |
| (Increase)/Decrease in Other Current Assets | (128) | 72 |
| Increase/(Decrease) in Other Current Liabilities | 123,928 | (205,091) |
| Cash generated from Operations | 684,734 | (117,903) |
| (Direct Taxes paid)/Refund Received - Net | 765 | (53,264) |
| Prior Year Adjustments | 4,020 | (3,098) |
| Net Cash from/(used in) Operating Activities | 689,519 | (174,265) |
| B. Cash flow from Investing Activities | | |
| Additions to Fixed Assets | (196,873) | (38,459) |
| Additions to Investments | (622,504) | - |
| Proceeds from Sale of Investments | 359 | - |
| Proceeds from Sale of Fixed Assets | - | 50 |
| Interest Income | 4,130 | 2,415 |
| Dividend Income | 236 | 686 |
| Deferred Revenue Expenditure | (31,970) | - |
| Net Cash from / (used in) Investing Activities | (846,622) | (35,308) |



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2003

[Rupees in Thousands]

| PARTICULARS | 2002-2003 | 2001-2002 |
|--|------------------|----------------|
| C. Cash flow from Financing Activities | | |
| Proceeds from Issue of Debentures | - | 50,000 |
| Proceeds from Long Term Borrowings | 380,010 | 332,790 |
| Repayment of Long Term Borrowings | (179,693) | (68,547) |
| Dividend Payment relating to earlier years | - | (6) |
| Interest & Bank Charges | (174,223) | (129,449) |
| Inflow due to Amalgamation | 113,799 | - |
| Net Cash Flow from/(used in) Financing Activities | 139,893 | 184,788 |
| Net Cash Flows during the year [A+B+C] | (17,210) | (24,785) |
| Cash & Cash Equivalents (Opening Balance) | 59,184 | 83,969 |
| Add: Cash & Cash equivalents takeover on Amalgamation | 7,059 | - |
| Cash & Cash Equivalents (Closing Balance) | 49,033 | 59,184 |

- Note: 1. All figures in brackets represent cash outflow.
2. Cash and cash equivalents includes Rs. 7,059 thousands of the erstwhile Khodayss Systems Limited taken over on amalgamation.
3. Previous year's figures have been regrouped, wherever necessary, to conform with the current year's presentation.

AUDITOR'S CERTIFICATE

I have examined the attached Cash Flow Statement of M/s. Khoday India Limited derived from the Audited Financial Statements for the year ended 31st March, 2003 and found the same to be drawn in accordance with the requirements of Clause 32 of the listing agreement with the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the company covered by my report of 26-11-2003 to the members of the company.

Place : Bangalore
Date : 26-11-2003

S. SUKUMAR
Chartered Accountant

KHODAY INDIA LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. :

| | | | | | | |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 1 | 5 | 9 | 0 |
|---|---|---|---|---|---|---|

 State Code :

| | |
|---|---|
| 0 | 8 |
|---|---|

Balance Sheet Date

Date Month Year

| | |
|---|---|
| 3 | 1 |
|---|---|

| | |
|---|---|
| 0 | 3 |
|---|---|

| | | | |
|---|---|---|---|
| 2 | 0 | 0 | 3 |
|---|---|---|---|

II CAPITAL RAISED DURING THE YEAR (Amount in Rs.thousands)

Public Issue

| | | | | | | |
|--|--|---|---|---|--|--|
| | | N | I | L | | |
|--|--|---|---|---|--|--|

Rights Issue

| | | | | | | |
|--|--|---|---|---|--|--|
| | | N | I | L | | |
|--|--|---|---|---|--|--|

Bonus Issue

| | | | | | | |
|--|--|---|---|---|--|--|
| | | N | I | L | | |
|--|--|---|---|---|--|--|

Private Placement

| | | | | | | |
|--|--|---|---|---|--|--|
| | | N | I | L | | |
|--|--|---|---|---|--|--|

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs.thousands)

Total Liabilities

| | | | | | | |
|---|---|---|---|---|---|---|
| 2 | 5 | 1 | 4 | 3 | 5 | 2 |
|---|---|---|---|---|---|---|

Total Assets

| | | | | | | |
|---|---|---|---|---|---|---|
| 2 | 5 | 1 | 4 | 3 | 5 | 2 |
|---|---|---|---|---|---|---|

A. Sources of Funds

Paid-up Capital

| | | | | | | |
|--|---|---|---|---|---|---|
| | 1 | 4 | 5 | 6 | 7 | 5 |
|--|---|---|---|---|---|---|

Share Capital Suspense

| | | | | | | |
|--|---|---|---|---|---|---|
| | 2 | 3 | 0 | 7 | 6 | 9 |
|--|---|---|---|---|---|---|

Reserves & Surplus

| | | | | | | |
|--|---|---|---|---|---|---|
| | 9 | 6 | 3 | 6 | 0 | 7 |
|--|---|---|---|---|---|---|

Secured Loans

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 0 | 0 | 8 | 9 | 1 | 1 |
|---|---|---|---|---|---|---|

Unsecured Loans

| | | | | | | |
|--|---|---|---|---|---|---|
| | 1 | 5 | 5 | 0 | 6 | 5 |
|--|---|---|---|---|---|---|

Deferred Tax

| | | | | | | |
|--|--|---|---|---|---|---|
| | | 1 | 0 | 3 | 2 | 5 |
|--|--|---|---|---|---|---|

B. Application of Funds

Net fixed Assets

| | | | | | | |
|--|---|---|---|---|---|---|
| | 5 | 3 | 8 | 6 | 7 | 4 |
|--|---|---|---|---|---|---|

Capital Work In Progress

| | | | | | | |
|--|---|---|---|---|---|---|
| | 3 | 1 | 1 | 6 | 2 | 4 |
|--|---|---|---|---|---|---|

Investments

| | | | | | | |
|--|---|---|---|---|---|---|
| | 6 | 2 | 8 | 3 | 5 | 6 |
|--|---|---|---|---|---|---|

Net Current Assets

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 0 | 0 | 1 | 2 | 1 | 5 |
|---|---|---|---|---|---|---|

Miscellaneous Expenditure

| | | | | | | |
|--|--|---|---|---|---|---|
| | | 3 | 4 | 4 | 8 | 3 |
|--|--|---|---|---|---|---|

Accumulated Losses

| | | | | | | |
|--|--|---|---|---|--|--|
| | | N | I | L | | |
|--|--|---|---|---|--|--|



IV PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)

Turnover

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 8 | 4 | 0 | 0 | 1 | 0 |
|---|---|---|---|---|---|---|

Profit Before Tax

| | | | | | | |
|--|--|---|---|---|---|---|
| | | 1 | 1 | 7 | 7 | 4 |
|--|--|---|---|---|---|---|

Earning Per Share (Rs. Ps.)

(Basic)

| | | | | | |
|--|--|---|---|---|---|
| | | 2 | . | 0 | 4 |
|--|--|---|---|---|---|

Earning Per Share (Rs. Ps.)

(Diluted)

| | | | | | |
|--|--|---|---|---|---|
| | | 1 | . | 7 | 3 |
|--|--|---|---|---|---|

Total Expenditure

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 8 | 2 | 8 | 2 | 3 | 6 |
|---|---|---|---|---|---|---|

Profit After Tax

| | | | | | | |
|--|--|---|---|---|---|---|
| | | 2 | 9 | 6 | 7 | 1 |
|--|--|---|---|---|---|---|

Dividend Rate %

| | | | | | | |
|--|--|---|---|---|--|--|
| | | N | I | L | | |
|--|--|---|---|---|--|--|

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES

Product Discription

Item code No. (ITC Code)

I M L

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2 | 2 | 0 | 8 | 2 | 0 | . | 0 | 2 |
|---|---|---|---|---|---|---|---|---|

B E E R

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2 | 2 | 0 | 3 | 0 | 0 | . | 0 | 0 |
|---|---|---|---|---|---|---|---|---|

P A P E R

(Uncoated Paper & Paper Boards)

| | | | | | | | | |
|---|---|---|---|--|--|--|--|--|
| 4 | 8 | 0 | 2 | | | | | |
|---|---|---|---|--|--|--|--|--|

K.L.RAMACHANDRA

Chairman

K.L. SRIHARI

Vice-Chairman &
Managing Director

Place: Bangalore
Date : 26.11.2003

M.S. MAYYA
Company Secretary



KHODAY INDIA LIMITED

Regd. Off. : 54, Kannayakana Agrahara, Anjanapura Post,
Bangalore - 560 062.

Name & address of the Share holder / proxy

Attendance slip

Thirty Seventh Annual General Meeting

26th Dec. 2003 at 12.00 Noon

"Brewery House", 7th Mile
Kanakapura Road
Bangalore - 560 062

| | |
|---------------|--|
| Folio No. | |
| Client ID No. | |
| DP ID No. | |
| No. of shares | |

Signature of Member / proxy



KHODAY INDIA LIMITED

Regd. Off. : 54, Kannayakana Agrahara, Anjanapura Post,
Bangalore - 560 062.

Proxy Form

| | | |
|-----------------|---------------|--|
| Proxy Form | Folio No. | |
| | Client ID No. | |
| Proxy No. | DP ID No. | |
| Date of Receipt | No. of Shares | |

I/We
of.....in the district of.....being
amember / members of Khoday India Limited hereby appoint.....
of.....in the district of.....or failing him
.....of.....in the district of.....as
my / our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the
Company to be held at "Brewery House", 7th Mile, Kanakapura Road, Bangalore - 560 062 on
Friday the 26th Dec. 2003 at 12-00 Noon and at any adjournment thereof.

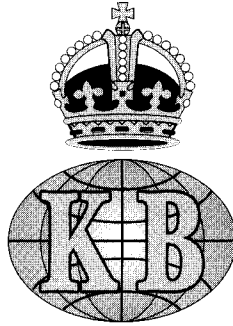
Date :

Affix Re. 1-00
Revenue Stamp
Signature of member

The Proxy form duly completed must reach the
Registered Office atleast 48 hours before the
commencement of the meeting.

Book Post

U. P. C.



If Undelivered Please Return to:
KHODAY INDIA LIMITED
“Brewery House”
7th Mile, Kanakapura Road,
Bangalore - 560 062.