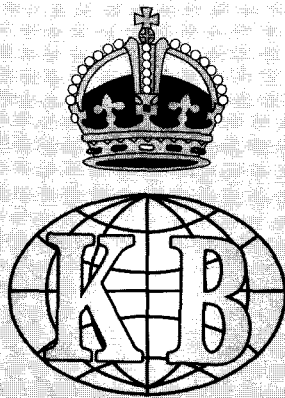

**THIRTY EIGHTH
ANNUAL REPORT**

2003 - 2004



KHODAY INDIA LIMITED



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 UCO Bank United Western Bank Limited Dhanalakshmi Bank
REGISTERED OFFICE	No. 54, Kannayakana Agrahara Anjanapura Post, Bangalore - 560 062
ADMINISTRATIVE OFFICE	"Brewery House" 7th Mile, Kanakapura Road Bangalore - 560 062



NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the ADJOURNED THIRTY EIGHTH Annual General Meeting of KHODAY INDIA LIMITED, will be held on Wednesday, the 30th March 2005 at 4.00 p.m. at Vaishnavi Kalyana Mantapa (Next to Shraavanthi Kalyana Mantapa), Kanakapura Road, Bangalore-62, to transact the following business:

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31-3-2004 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.

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

Place: Bangalore

Date: 2.3.2005

(**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 28-3-2005 to 30-3-2005 (both days inclusive)
- E. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.

KHODAY INDIA LIMITED

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the 38th Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2004:

FINANCIAL HIGHLIGHTS:

(Rs. in Lakhs)

Particulars	2003-2004	2002-2003
1. Gross Income	21117.93	18400.10
Less: Excise Duty	7128.48	5355.87
2. Net Income	13989.45	13044.23
3. Profit Before Tax	404.38	117.74
4. Provision for Taxation		
Current Tax	46.00	9.30
Deferred Tax	(34.47)	(188.27)
5. Profit After Tax	392.85	296.71
ADD :Balance Brought forward	—	159.08
LESS: Balance absorbed on Amalgamation	—	(576.64)
	392.85	(120.85)
LESS:Provision for taxation for earlier years	—	72.03
6. Prior year Adjustments	—	(40.20)
7. Depreciation for earlier years	—	1.54
8. Transfer to Capital Redemption Reserve }	5.31	—
9. Balance carried forward	387.54	(154.22)

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 Rs139.89 Crores compared to Rs.130.44 Crores in the previous year, representing an increase of Rs.9.45 Crores .

Your Directors hope that the sales turnover of the Company is expected to be better in the years to come, depending upon the prevailing market conditions.

FIXED DEPOSITS:

The total amount of deposits as on 31st March 2004 was Rs.99 Lakhs. All the matured deposits were re-paid.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Sri.K.L.Srihari Director and Sri. K.L. Swamy, Director were re-appointed at the Annual General Meeting of the company held on 24.12.2004.

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 Annexure.



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, 2004, 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, 2004 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 on Corporate Governance as stipulated in the said clause 49 of the Listing Agreement is annexed thereto.

AUDITORS:

Sri.S.Sukumar, Chartered Accountant, Bangalore was re-appointed as Statutory Auditor of the company in the Annual General Meeting held on 24.12.2004, to hold office until the conclusion of the next Annual General Meeting.

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:

1. 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.

2. Non-conducting of Audit Committee Meeting:

The Audit Committee could not meet during the year under review on account of paucity of quorum requirement.

3. Over due Loan Amount:

3(a) The over due amounts payable in respect of term loan due to Financial Institutions, banks and debenture holder have been paid subsequently to the extent of Rs. 10 Lacs to Financial Institutions, Rs. 924.24 Lacs to Banks and Rs. 88.54 Lacs to Debenture holder.

(b) The company has utilized out of term loan taken from bank to the extent of Rs. 148.02 lacs towards advances in the normal course of business.

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: 2.3.2005
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	31-03-2004		31-03-2003	
	Paper	Glass	Paper	Glass
A. POWER & FUEL CONSUMPTION				
1. Electricity				
(a) Units Purchased KWH	90408	5761956	600192	5433732
Amount (Rupees in '000s)	2291	27724	5,276	24,726
Rate per Unit (in Rs.)	25.35	4.81	8.79	4.55
(b) Own Generation :				
Through Diesel Generators				
Units Produced KWH	NIL	204052	2,870	308066
Rate per Unit (in Rs.)	NIL	9.63	22.61	8.90
B. CONSUMPTION PER UNIT OF PRODUCTION				
Electricity KWH (per M.T)	1793.27	518.27	1023.56	643

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	31-03-2004	31-03-2003
A. FOREIGN EXCHANGE OUT GO	19,282	43,256
B. FOREIGN EXCHANGE EARNINGS	2,32,018	19,769

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 2004:

1) NAME	:	LEHAR SARMA
2) DESIGNATION	:	VICE-PRESIDENT – MARKETING
3) REMUNERATION (RS. P.M.)	:	5,27,380/-
4) QUALIFICATION	:	MBA
5) EXPERIENCE (YRS)	:	7 YEARS 4 MONTHS
6) COMMENCEMENT OF EMPLOYMENT	:	1-2-2002
7) AGE (YRS)	:	31 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

1. 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 31-3-2004 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 6 Board Meetings were held during the financial year 2003-2004 on 30-4-2003, 31-7-2003, 29-9-2003, 31-10-2003, 26-11-2003, 31-1-2004.

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	A
2.	SRI.K.L.SRIHARI	Promoter Executive	5	P
3.	SRI.K.L.A.PADMANABHASA	Executive	6	P
4.	SRI.K.L.SWAMY	Executive	5	P
5.	SRI.N.LAKSHMAN RAU *	Non-Executive Independent	2	A
6.	DR.S.M.PATIL **	Non-Executive Independent	1	A
7.	Prof.L.R.Vagale #	Non-Executive Independent	5	P
8.	Maj.Gen.M.K.Paul #	Non-Executive Independent	5	P

* Resigned with effect from: 31-7-2003

** Expired on 13-7-2003

Appointed as Directors on 31-7-2003

(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.	PROF.L.R.VAGALE	-	1
6.	MAJ.GEN.M.K.PAUL	-	1

KHODAY INDIA LIMITED

3. AUDIT COMMITTEE:

The Audit Committee of the Board of Directors has been functioning since 1991. At present, the Audit Committee consists of 3 Non-Executive Directors viz., Sri.K.L.Ramachandra – Non-Executive Director, Prof.L.R.Vagale - Independent Director and Maj.Gen.M.K.Paul – Independent Director.

The Audit Committee could not meet during the year under review on account of paucity of quorum requirement.

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, the company received 46 complaints from Shareholders which were attended to promptly and disposed off within 30 days.

SHAREHOLDERS'/INVESTORS' COMPLAINTS:

Particulars of Complaints received during 2003-2004

Complaint from	Received	Redressed	Pending as on November 30, 2004
Shareholders/Investors	43	43	NIL
Depositories/DP	NIL	NIL	NIL
SEBI	3	3	NIL
Stock Exchanges	NIL	NIL	NIL
Department of Company Affairs/Registrar of Companies	NIL	NIL	NIL
TOTAL	46	46	NIL

NATURE OF COMPLAINTS

Nature	No. of Complaints	% of Complaints
Transfer of Shares	2	4.35
Issue of duplicate Share certificates	1	2.17
Non receipt of Dividend Warrants	7	15.22
Dematerialisation of Shares	1	2.17
Non receipt of Annual Report	6	13.04
Change of Address	1	2.17
Non receipt of Debenture Redemption Warrant/Amount	24	52.18
Others	4	8.70
Total	46	100.00



5. GENERAL BODY MEETINGS:

A) Particulars of last three Annual General Meeting:

AGM	Year ended	Venue	Date	Time
38 th	31-2-2004	Shravanthi Kalyana Mantapa Kanakapura Road, Bangalore-560 062 (Meeting Adjourned)	24-12-2004	12.15 p.m.
37 th	31-3-2003	As above	26-12-2003	12.00 Noon
37 th	31-3-2002	"Brewery House" 7th Mile, Kanakapura Road Bangalore-560 062	30-9-2002	12.00 Noon

A) 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

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 were furnished to the Stock Exchanges as per listing agreement.

8. COMPLIANCE CERTIFICATE OF THE AUDITORS:

Certificate of Statutory Auditors has been obtained on 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:

38TH ANNUAL GENERAL MEETING – 24th December 2004 At 12.15 Noon. At Shravanthi Kalyana Mantapa, Kanakapura Road, Bangalore-560 062. (Adjourned)

KHODAY INDIA LIMITED

Financial year : 2003-2004

Book Closure Date: 17-12-2004 to 24-12-2004

Listed at Bangalore Stock Exchange Ltd
Stock Exchange Towers,
51, 1st Cross, J C Road
Bangalore-560 027
Phone No: 51575234

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

Madras Stock Exchange Ltd
"Exchange Building"
11, Second Line Beach
Chennai-600 001
Phone No: 044-5228951

Market Price data during April 2003 – March 2004 on Mumbai Stock Exchange :

MONTH		OPEN	HIGH	LOW	VOLUME
APRIL	2003	10.00	12.45	9.30	6338
MAY	2003	9.20	13.95	9.20	22342
JUNE	2003	12.26	15.50	12.25	39515
JULY	2003	13.65	17.75	12.10	61046
AUGUST	2003	13.50	18.50	13.50	103866
SEPTEMBER	2003	14.90	15.25	12.30	48686
OCTOBER	2003	13.00	14.74	12.40	32009
NOVEMBER	2003	12.25	20.00	11.55	100489
DECEMBER	2003	17.25	36.00	16.00	437243
JANUARY	2004	25.00	26.05	16.05	289582
FEBRUARY	2004	17.50	20.00	13.65	174597
MARCH	2004	15.75	16.95	12.40	94861

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 INE687B01014-KIL-EQ.

Mode of holding As on 31-3-2004	Shareholders		Equity Shares	
	No.	%	No.	%
Physical	13,865	76.38	3,63,01,485*	96.57
Demat	4,288	23.62	12,89,752	3.43

* 23076923 shares of Rs.10/- each allotted to 11 shareholder's consequent to amalgamation of Khodayss Systems Ltd with Khoday India Limited has not been listed on the Stock Exchanges.



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.

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 2004 is given below:

Range of Shares	No. of Share holders	% of Share holders	No. of Shares Held	% of Share-holding
1- 500	17637	97.16	2249432	5.98
501 - 1000	280	1.54	216189	0.58
1001 - 2000	100	0.55	146087	0.39
2001 - 3000	27	0.15	70702	0.19
3001 - 4000	10	0.05	36041	0.09
4001 - 5000	13	0.07	60337	0.16
5001 -10000	21	0.12	139812	0.37
Over 10,000	65	0.36	34672637	92.24
Total	18,153	100.00	3,75,91,237	100.00

Categories of shareholding as on 31st March 2004

Category	No. of Shareholders	No. of Shares held	% of Shareholding
Individuals (Including NRI's)	17,924	30,15,137	8.021
Companies	152	1,38,778	0.369
Promoters and Associated Companies	61	3,43,10,216	91.272
Mutual Funds, FI's	10	1,25,177	0.333
NSDL/CDSL Transit position	6	1,929	0.005
Total	18,153	3,75,91,237	100.00

KHODAY INDIA LIMITED

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.

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 a multi-product company, manufacturing Alcoholic Beverages, High Quality Glass Bottles, Writing Paper and Information Technology.*
2. *Business Environment : Your Company has substantial market share in the production of IMFL with Peterscot, Red Kinght etc., as the leading Brands available across the country.*

The Systems Division of your company performed substantially well during the year. With the looking up of the economy during the year and improved performance alround, the performance of this Sector is expected to improve leading to higher demand.

3. *Financial Performance : The gross sales turn over of the company during the year under review was Rs.206.30 Crores compared to Rs.171.91 Crores in the previous year representing an increase of Rs.34.39 Crores. Despite the increase in the cost of manufacturing, mainly in areas of administration, selling expenses, personnel expenses, interest and Bank Charges, the profit after tax has increased from Rs.2.96 Crores to Rs.3.93 Crores in the year under review.*
4. *Opportunities and Threats : Alcoholic Beverages industries in the country is highly regulated. The State Government controls the production, Excise duty structure and distribution through its organisation Karnataka State Beverages Corporation Ltd. The Duties imposed are very high and there is no unanimity of policies among various states. The advertising of Alcoholic Beverages is not permitted in India. Heavy Excise duty levied on the products increases the selling prices, thus restricting the sales. However, with the changing life style and increase of spending power, the industry is witnessing a strong growth. With the entry of multinational companies in the domestic liquor market, resulting in a more competitive environment, your company will have to gear up to meet the challenges.*
5. *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.*
6. *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.*



Auditor's Certificate on Corporate Governance

To
The Members of
Khoday India Limited.

I have examined the compliance of conditions of Corporate Governance by Khoday India Limited for the year ended 31st March 2004 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 implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 Management, I certify that the Company has complied with the conditions of Corporate Governance *except non conducting of Audit committee meeting during the year* 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 investors grievances remaining unattended / pending for more than 30days.

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 : 02.03.2005

S. SUKUMAR
CHARTERED ACCOUNTANT

KHODAY INDIA LIMITED

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 31 st March 2004 and Profit and Loss account and also the Cash Flow statement for the year ended on that date, annexed thereto. 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 provide a reasonable basis for my opinion.
3. As required by the Companies (Auditors Report) Order, 2003 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 those books.
 - c. The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - d. In my opinion, the Balance Sheet, Profit and Loss Account and Cash flow Statement dealt with by this report have been prepared in compliance with the applicable Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
5. On the basis of written representations received from the directors, as on 31 st March 2004 and taken on record by the Board of Directors, I report that none of the Directors are disqualified as at 31 st March, 2004 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. 9 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 and 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:

- a. In the case of the Balance Sheet of the state affairs of the company as at 31 st March 2004,
- b. In the case of the Profit and Loss Account, of the profit for the year ended on that date, and
- c. In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

Place : Bangalore
Date : 02.03.2005

S. SUKUMAR
CHARTERED ACCOUNTANT



ANNEXURE TO THE AUDITORS REPORT.

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

- I. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) 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.
- (c) In my opinion, the company has not disposed off a substantial part of fixed assets during the year, which is bearing a going concern.
- II. (a) The inventories of the company have been physically verified by the management at reasonable intervals. The stock in possession of the third parties have been confirmed by them.
- (b) The procedure and frequency of physical verification of stocks followed by the Management are reasonable and adequate, in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventories and no material discrepancies have been noticed on physical verification of inventories as compared to the book records
- III. (a) The company has neither granted nor 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 other parties who are listed in the register maintained under Section 301 of the Companies Act. There are four number of parties and the maximum amounts involved during the year were Rs.452.87 Lacs
- Further the company has taken unsecured Interest free loan taken from Directors of the company who are listed in the register maintained under section 301 of the Companies Act. There are four numbers of parties and the maximum amounts Involved during the year were Rs 119.31 Lacs.
- (b) According to the information and explanation given to me, I am of the opinion that the rate of interest and terms and conditions in respect of loans taken from other parties are prima facie not prejudicial to the interest of the company.
- There are no terms and condition in respect of loan taken from directors However I am of the opinion on such Loans are prima facie, not prejudicial to the interest of the company
- (c) The company is repaying the principal and the interest as stipulated and has been regular during the year.
- (d) There is no overdue amount of loans taken from other parties listed in the register maintained under Section 301 of the companies Act, 1956.
- IV. 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 inventory and fixed assets and for the sale of goods. During the course of my audit, I have not observed any continuing failure to correct major weaknesses in internal controls.
- V. (a) In my opinion and according to the information and explanations given to me, the transaction that need to be entered into the register maintained in pursuance of section 301 of the companies Act 1956, have been so entered.

KHODAY INDIA LIMITED

(b) In my opinion and according to the information and explanations given to me, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies Act, 1956 and exceeding the value of Rs 5 lakhs in respect of each party have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

- VI. In my opinion and according to the information and explanations given to me, the company has complied with directives issued by Reserve Bank of India and the provision of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under with respect to the deposits accepted from public.
- VII. The company has an internal Audit system commensurate with its size and nature of its business.
- VIII. 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 Central Government for the maintenance of the 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, I have not, made a detailed examination of records with a view to determine whether they are accurate or complete.
- IX. (a) According to the information and explanations given to me and as per our verification of the records of the company, in my opinion, the company is generally regular in depositing undisputed statutory dues including Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities *excepting Employees Provident Fund, Employees State Insurance, Sales Tax and tax deducted at sources, where it is not regular.*
- (b) According to information and explanation given to me *excepting for Rs.60.94 Lacs towards sales tax, Rs1.01 Lacs towards Employees state Insurance, Rs.12.36 Lacs towards Employees Provident Fund, Rs 0.45 Lacs towards professional Tax and Rs. 8.15 Lacs towards Income Tax*, there are no other undisputed amount payable in respect of statutory dues which have been remained outstanding as at 31st March 2004 for a period of more than six month from the date they became payable.
- X. According to the information and explanations given to me and records of the company, the following are the particulars of dues on account of sales Tax, Income Tax, matters that have not been deposited on account of dispute.

Name of the Statute	Nature of Dues	Rupees in Lacs	Forum where dispute is pending.
Karnataka sales Tax Act, 1957	Sales Tax, Entry Tax and penalty from financial year 1990 to 2001	1572.93	Joint Commissioner of Commercial Tax, Bangalore
Income Tax Act, 1961.	Income Tax Demand for the financial year 2000-01	198.91	Income Tax Appellate Tribunal.
Income Tax Act, 1961.	Income Tax Demand for the financial year 2001-02	220.66	Commissioner of Income Tax (Appeal).

- XI. The company does not have accumulated losses as at 31 st March 2004 and has not incurred cash losses during the financial year ended on that date or in the immediately preceding financial year
- XII. According to information and explanations given to me, *the company has defaulted in repayment of principal and interest dues amounting to Rs 481.85 Lacs towards financial institutions, Rs 1344.96 Lacs towards banks and Rs 338.69 Lacs towards debenture holder during the year.*



- XIII. According to the information and explanations given to me the company has not granted any loans and advances on the basis of security by way of pledge of shares, Debentures and other securities.
- XIV. In my opinion, the company is not a chit fund or a nidhi mutual fund society. Therefore the provision of clause 4 (xiii) of the companies (Auditor's Report) Order, 2003 are not applicable to the company.
- XV. In my opinion and according to the information and explanations given to me, the company is not a dealer or trader in securities.
- XVI. According to the information and explanations given to me, the company has not given any guarantees for the loans taken by others from bank or financial institution.
- XVII. *The company has taken a working capital term loan of Rs.1000 Lacs from bank during the year. In my opinion an amount of Rs. 148.03 Lacs has not been utilized for the purpose for which the term loan was obtained.*
- XVIII. Based on the information and explanations given to me and overall examination of the Balance sheet of the company, in my opinion, there are no funds raised on a short term basis which have been used for long term investment, and vice versa.
- XIX. The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the companies Act, 1956 during the year.
- XX. The company has not issued any debentures during the year.
- XXI. The company has not raised any money by way of public issue during the year.
- XXII. During the course of examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to me, I report that no case of fraud on or by the company has been noticed or reported during the year under audit.

Place : Bangalore
Date : 02.03.2005

S. SUKUMAR
CHARTERED ACCOUNTANT

KHODAY INDIA LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2004

[Amount in Thousands]

PARTICULARS	Schedule	31-03-2004	31-03-2003
SOURCES OF FUNDS			
1. SHARE HOLDERS' FUNDS			
[a] Share Capital	1	375,912	145,675
[b] Share Capital Suspense		-	230,769
[c] Reserves & Surplus	2	974,742	963,607
2. LOAN FUNDS			
[a] Secured Loans	3	1,155,479	1,008,911
[b] Unsecured Loans	4	128,956	155,065
3. DEFERRED TAX LIABILITY (NET)			
		6,878	10,325
T O T A L		2,641,967	2,514,352
APPLICATION OF FUNDS			
4. FIXED ASSETS			
[a] Gross Block	5	1,184,537	985,653
[b] Less: Depreciation		545,681	446,979
[c] Net Block		638,856	538,674
5. CAPITAL WORK-IN-PROGRESS			
[a] Call Centre		201,572	259,026
[b] Others		115,115	52,598
6. INVESTMENTS			
	6	625,840	628,356
7. CURRENT ASSETS, LOANS & ADVANCES			
[a] Inventories	7	473,975	473,175
[b] Sundry Debtors	8	413,226	371,682
[c] Cash & Bank Balances	9	54,011	49,033
[d] Other Current Assets	10	579	589
[e] Loans & Advances	11	684,043	653,561
		1,625,834	1,548,040
8. LESS: CURRENT LIABILITIES & PROVISIONS			
[a] Current Liabilities	12	561,755	521,093
[b] Provisions	13	31,021	25,732
		592,776	546,825
9. NET CURRENT ASSETS			
		1,033,058	1,001,215
10. MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)	14	27,526	34,483
T O T A L		2,641,967	2,514,352

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 : 02-03-2005

M. S. MAYYA
Company Secretary

S. SUKUMAR
Chartered Accountant



PROFIT AND LOSS ACCOUNT FOR THE YEAR 31ST MARCH, 2004

[Amount in Thousands]

PARTICULARS	Schedule	31-03-2004	31-03-2003
INCOME :			
Sales (Gross)	15	2,062,954	1,729,062
Less: Excise Duty and import Fee		712,848	535,587
Sales (Net)		1,350,106	1,193,475
Other income	16	42,790	37,837
Increase / (Decrease) in Stock	17	6,050	73,111
T O T A L	[A]	1,398,946	1,304,423
EXPENDITURE :			
Consumption of Materials and Purchase for resale	18	450,181	522,711
Mfg, Administrative & Selling Expenses	19	471,555	448,888
Personnel Expenses	20	167,100	110,968
Interest & Bank Charges	21	198,323	174,224
Depreciation	22	71,349	35,858
T O T A L	[B]	1,358,508	1,292,649
PROFIT / (LOSS) BEFORE TAXATION	[A-B]	40,438	11,774
LESS: Provision for Taxation - Current Tax		4,600	930
- Deferred Tax		(3,447)	(18,827)
PROFIT/ (LOSS) AFTER TAXATION		39,285	29,671
ADD : Balance Brought forward		-	15,908
LESS: Balance absorbed on Amalgamation		-	(57,664)
		39,285	(12,085)
LESS: Provision for Taxation for earlier years		-	7,203
Prior Year Adjustments		-	(4,020)
Depreciation for Earlier Years		-	154
Transferred to Capital Redemption Reserve		531	-
Balance carried forward		38,754	(15,422)
T O T A L		39,285	(12,085)
Basic Earning Per Shares (in Rupees) (Ref Note -3)		1.04	2.04
Diluted Earing Per Shares (in Rupees) (Ref Note-3)		1.04	1.73

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 : 02-03-2005

M. S. MAYYA
Company Secretary

S. SUKUMAR
Chartered Accountant

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	31-03-2004	31-03-2003
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED		
4,50,00,000 Equity Shares of Rs.10/- each	450,000	450,000
ISSUED		
3,81,34,237 (Previous year 15110448) Equity Shares of Rs 10/- each	381,342	151,104
SUBSCRIBED AND PAID UP		
3,75,91,237 (previous year 14567448) Equity Shares of Rs.10 each fully paid up (Including 64,50,000 Equity Shares allotted as fully paid Bonus Shares by capitalisation of Reserves and 111048 Equity Shares (previous year 111048) allotted to erstwhile Manaylux Paper Board Pvt Ltd as per the scheme of amalgamation and 23076923 Equity shares (Previous Year - Nil) allotted during the year to erstwhile Khoday Systems Limited as per the scheme of amalgamation for consideration Other than cash)	375,912	145,675
Total...	375,912	145,675
SCHEDULE - 2		
RESERVES AND SURPLUS :		
CAPITAL RESERVE		
As at the beginning of the financial year	190,918	190,839
Add : Addition on Account of Amalgamation	-	79
As at the end of the financial year	190,918	190,918
CAPITAL REDEMPTION RESERVE:		
As at the beginning of the financial year	-	-
Add : Transferred From Profit and Loss account	531	-
As at the end of the financial year	531	-
SHARE PREMIUM ACCOUNT		
As at the beginning of the financial year	116,260	116,260
Less : Deletion on Account of Buy back share	797	-
As at the end of the financial year	115,463	116,260
GENERAL RESERVE :		
As at the beginning of the financial year	282,934	224,125
Add: Transfer from Debenture Redemption Reserve	-	5,000
Add: Transfer from Amalgamation	-	69,231
Less: Profit & Loss Account	-	(15,422)
As at the end of the financial year	282,934	282,934
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	323,495	350,848
Less : Transfer to Profit & Loss Account	27,353	27,353
As at the end of the financial year	296,142	323,495
DEBENTURE REDEMPTION RESERVE :		
As at the beginning of the financial year	50,000	55,000
Add: Transfer from Profit & Loss Account	-	-
Less: Transfer to General Reserve	-	5,000
As at the end of the financial year	50,000	50,000
SURPLUS FROM PROFIT & LOSS A/c		
	38,754	-
Total	974,742	963,607



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	31-03-2004	31-03-2003
SCHEDULE - 3		
SECURED LOANS :		
a. 16.5% Non Convertible Debentures	50,000	50,000
b. From Banks - Cash Credits	505,453	402,810
- Term Loans	462,520	441,434
c. From Financial Institutions	95,243	90,060
d. From Others	23,886	24,607
e. Interest Accrued and Due	18,377	-
Total	1,155,479	1,008,911

(a) 17% Non convertible debentures has been rephased into 16.5% Privately placed Non Convertible Secured Debentures 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.

(b) 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.

(c) Term Loan of Rs 4625.20 Lacs includes

(i) Rs.1455.74 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.

(ii) Rs.859.38 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.

(iii) Rs.808.63 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,

(iv) Rs.351.71 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

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	31-03-2004	31-03-2003
Guarantee of a Company in which some of the Directors are members and personal guarantee of the Directors of the Company.		
(v) Rs 1009.14 lacs secured by personal guarantee of the directors and their relatives and further secured by first charge by way of mortgage of immovable property of a firm in which some of the directors are partners and further secured by first charge by way of mortgage of the immovable property of a trust in which some of the Directors are Trustees.		
(vi) Rs.140.60 Lacs secured by Fixed Deposits of the company.		
(d) Loans from Financial Institutions of Rs.952.43 Lacs includes		
(I) Rs.547.84 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 member and whole of movable property of the Company including its Plant and Machinery, Spares, Tools and Accessories and other movables, both present and future.		
(ii) Rs.404.59 Lacs is secured by first charge on the company's moveable 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.		
(e) Loans from others Rs.238.86 includes Rs.32.79 Lacs is secured by hypothecation of vehicles and Rs.145.53 Lacs being hire purchase loans taken for acquiring fixed assets of the company and the balance of Rs.60.54 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	11,931	5,498
- From Others	89,980	109,503
Other Loans		
- From Banks	27,045	40,064
TOTAL	128,956	155,065

[Loan from banks Rs.270.45 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		31-03-2004		31-03-2003					
SCHEDULE - 5									
FIXED ASSETS									
		GROSS BLOCK		DEPRECIATION		NET BLOCK			
SL NO	PARTICULARS	AS AT 01.04.2003	ADDITIONS ON	AS ON 31.03.2004	AS ON 01.04.2003	FOR THE YEAR	AS AT 31.03.2004	AS ON 31.03.2004	AS AT 31.03.2003
1	LAND	33,417		33,417			33,417		33,417
2.	Buildings	259,472	65,826	325,298	53,338	15,044	68,382	256,916	206,134
3.	Plant and Machinery	476,568	667	447,235	244,749	41,548	286,297	190,938	231,819
4.	Furniture & Fixtures other office equipments	124,359	124,132	348,491	85,113	34,517	119,630	128,861	39,246
5.	Vehicles	91,837	8,259	100,096	63,779	7,593	71,372	28,724	28,058
	Total	985,653	198,884	1,184,537	446,979	98,702	545,681	638,856	538,674

SCHEDULE - 6

INVESTMENTS :

Govt. Securities	256	256
TOTAL	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
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
UB Limited	20	0	1,1913
Kingfisher Properties and Holding Ltd.	172389	1,477	1,787
SUB TOTAL		1,503	3,004

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	31-03-2004	31-03-2003
NON-TRADE INVESTMENTS - LONG TERM :		
Chowgule Steam Ship 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	-
State Bank of Travancore	280	434
	168	168
Sub Total	949	1,383
Total.. { B }	2,452	4,387
MARKET VALUE OF QUOTED INVESTMENTS	10,070	16,139
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	-
Sub Total	-	450
Total.. { C }	742	1,192
UNQUOTED - PREFERENCE SHARES (FULLY PAID-UP)		
NON-TRADE INVESTMENTS - LONG TERM :		
Kirlosker Consultants Ltd (15% Redeemable Cumulative Preference Shares)	5000	500
Total.. { D }	500	500
INVESTMENTS IN FIRMS :		
Lakshmi Estate	621,890	622,021
Total.. { E }	621,890	622,021
TOTAL INVESTMENTS AT COST { A+B+C+D+E }	625,840	628,356



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	31-03-2004	31-03-2003
SCHEDULE - 7		
INVENTORIES :		
(As valued and certified by the Management)		
Stores, Spares and Fuel	4,831	4,322
Raw Materials & Goods Purchased for Resale	128,255	134,014
Semi-Finished Goods	290,648	265,274
Work - in - Progress	3,466	3,466
Finished Goods	46,775	66,099
Total..	473,975	473,175
SCHEDULE - 8		
SUNDRY DEBTORS :		
(Unsecured, Considered Good)		
Outstanding for more than Six Months	143,302	149,144
Other Debts	269,924	222,538
(Unsecured, Considered Doubtful)		
Outstanding for more than six months	928	928
LESS: Provision for Doubtful Debts	(928)	(928)
Total..	413,226	371,682
SCHEDULE - 9		
CASH AND BANK BALANCES :		
Cash on hand and in transit	18,380	16,155
Balances with Scheduled Banks		
- In Current Account	9,010	7,713
- In Fixed Deposit Accounts	26,621	25,165
Total..	54,011	49,033
SCHEDULE - 10		
OTHER CURRENT ASSETS :		
Interest Accrued on Fixed Deposits and Investments	579	589
Total..	579	589

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	31-03-2004	31-03-2003
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SCHEDULE - 11

LOANS & ADVANCES :

(Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received	663,394	638,706
Balance with Excise Authorities	20,649	14,855
TOTAL	684,043	653,651

SCHEDULE - 12

CURRENT LIABILITIES :

Sundry Creditors

- For Trade	130,702	125,454
- For Capital Goods	28,621	8,085
- For Expenses & Others	229,640	214,691
Advance from customers	43,099	37,888
Unclaimed dividends	250	251
Other liabilities	126,881	133,464
Interest accrued but not due	2,562	1,260

TOTAL	561,755	521,093
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SCHEDULE - 13

PROVISIONS :

For Taxation (Net)	3,856	490
For Retirement Benefits, etc.,	27,165	25,242
TOTAL	31,021	25,732



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	31-03-2004	31-03-2003
SCHEDULE - 14		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary Expenses	8	7
Deferred Revenue Expenditure	34,476	34,476
Less : Transferred to Profit & Loss account	6,958	
Total..	27,526	34,483
SCHEDULE - 15		
SALES		
Distillery - IML	1,593,457	1,339,231
Glass	150,541	118,884
Brewery	80,282	214,543
Others	5,952	21,216
Paper	2,030	14,131
Systems	230,386	21,057
Foreign Exchange Fluctuation	306	-
Total..	2,062,954	1,729,062
SCHEDULE - 16		
OTHER INCOME		
Interest received (Gross)	4,164	4,130
(TDS Rs 836903 Previous Year Rs.327999)		
Dividend - From Trade	-	-
- From Non Trade	184	236
Income from Services	4,093	4,330
Misc. Income	6,184	19,464
Sundry Credit Balances forfeited	-	9,335
Profit on Sale of Shares	28,165	342
Total..	42,790	37,837

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	31-03-2004	31-03-2003
SCHEDULE - 17		
INCREASE / (DECREASE) IN STOCK		
CLOSING STOCK :		
Finished Goods	46,775	66,099
Semi-finished Goods	290,648	265,274
Work-in-progress	3,466	3,466
Total.. { A }	340,889	334,839
OPENING STOCK :		
Finished Goods	66,099	52,243
Less : Stock used for Own Consumption	-	124
Semi-finished Goods	265,274	206,143
Work-in-progress	3,466	3,466
Total.. { B }	334,839	261,728
Increase / (Decrease) in Stock (A - B)	6,050	73,111
SCHEDULE - 18		
CONSUMPTION OF RAW MATERIALS & PURCHASE FOR RESALE		
OPENING STOCK		
Distillery	97,445	73,876
Goods Purchased for Resale	2,830	3,013
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	-
Total.. { A }	134,014	102,706
ADD: PURCHASES		
Distillery	321,624	366,413
Glass	87,204	83,707
Purchase for Resale	3,138	4,007
Brewery	28,836	86,872
Paper	3,615	12,456
Systems	5	564
Total.. { B }	444,422	554,019



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	31-03-2004	31-03-2003
LESS: CLOSING STOCK		
Distillery	88,039	97,445
Glass	15,549	14,649
Brewery	10,094	10,314
Goods Purchased for Resale	3,770	2,830
Timber	2,690	2,690
Paper	7,667	5,640
Timber Divn.	59	59
Systems	387	387
Total.. {C}	128,255	134,014
Consumption and purchase for resale (A+B-C)	450,181	522,711
 SCHEDULE - 19		
MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES :		
Power, Fuel & Lighting Charges	68,798	94,621
Rent	16,537	11,485
Rates & Taxes	51,896	57,746
Call Centre Management Charges	2,353	7,818
Insurance	4,694	4,779
Royalty	13,421	40,791
Repairs & Maintenance :		
- Electrical	1,336	798
- Plant & Machinery	11,314	13,870
- Buildings	1,620	1,137
- Vehicles	24,119	11,446
- Others	4,289	2,737
Freight, Octroi & Storage Exps	36,106	30,915
Demurrage	240	2,272
Excise Establishment Charges	1,830	1,592
Lease Rent	29,410	29,416
Travelling & Conveyance	32,729	15,866

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	31-03-2004	31-03-2003
Printing & Stationery	4,026	3,461
Postage, Telephone & Telegram	40,501	10,532
Books & Periodicals	215	259
Security Service Charges	12,868	14,535
Legal & Professional Charges	20,473	12,247
Remuneration to Directors	1,500	1,500
Directors Sitting Fees	19	34
Auditors Remuneration		
- For Statutory Audit	300	300
- For Tax Audit	-	85
Cost Audit Fees	16	16
Donation	733	76
Commission & Discount on Sales	1,271	9,318
Sales Promotion	53,715	54,988
Advertisement	6,039	2,493
Service Charges	3,717	161
Miscellaneous Expenses	9,426	11,212
Share of Loss in Partnership Firm	131	29
Exchange Variation	170	-
Loss on sale of Investment	8,854	-
Irrecoverable advances written off	-	353
Deferred revenue expenses written off	6,881	-
Preliminary Expenses Written off	8	-
Total..	471,555	448,888

SCHEDULE - 20

PERSONNEL EXPENSES

Salaries, Wages, Gratuity, Bonus and leave encashment	143,991	93,139
Staff Welfare Expenses	13,714	10,263
Contribution to P.F. and Other Funds	9,395	7,566
Total..	167,100	110,968



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Amount in Rs. Ps.]

PARTICULARS	31-03-2004	31-03-2003
SCHEDULE - 21		
INTEREST & BANK CHARGES :		
INTEREST		
On Debentures	8,637	19,252
On Term Loan	76,233	54,506
On Others	107,384	94,415
BANK CHARGES	6,069	6,051
TOTAL	198,323	174,224
SCHEDULE - 22		
DEPRECIATION :		
For the year	98,702	63,636
Less: Transferred from Revaluation Reserve A/c	27,353	27,353
Less: Transferred to Deferred Revenue Expenditure	-	425
TOTAL	71,349	35,858

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

1. Significant Accounting Policies

(a) Accounting Convention

The Financial Statements have been prepared under the Historical Cost Convention. 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 and Machinery, Furniture and 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 asset has been added to the cost of the assets and credited to Revaluation Reserve account.

(d) Capital Work-in-Progress

Advances paid towards the acquisition of fixed assets and the costs 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

(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 Profit and Loss account is net off 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.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

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 utilized for acquisition of Fixed Assets adjusted to 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.

(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) Stocks 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 the borrowing cost that are attributable to maturation stocks has been considered for valuation of semi-finished goods 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 provisions for doubtful balances.

(l) Revenue Recognition

(i) Sales are recognised on accrual basis. Sales are net of returns and sales tax collected and tax collected at source are 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.

KHODAY INDIA LIMITED

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 realized. 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.

(s) Inter-Division Transfers

Inter-division transfers 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) 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.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

PARTICULARS	2003 - 2004	2002 - 2003
2. Earnings Per Share		
Profit after Taxation as per Profit and Loss Account	39,285	29,671
Number of Shares (A)	3,76,12,142	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)	3,76,12,142	1,71,88,632
Earnings per Share – Basic (in Rs.) [PAT/(A)]	1.04	2.04
Earnings per Share – Diluted (in Rs.) [PAT/(D)]	1.04	1.73
Face Value per Share (in Rs.)	10.00	10.00
(* Weighed Average)		
3. Leases		
The Company has taken certain assets on operating lease. The amount of further minimal lease payments are stated below:		
Less than 1 year	5,210	17,640
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 2004 comprises of the following:		
<u>Deferred Tax Liabilities:</u>		
On depreciation Differences	9,248	13,177
On deferred Revenue Expenditure	9,875	11,940
On others	5,809	17,721
TOTAL [A]	24,932	42,838
<u>Deferred Tax Assets:</u>		
On provision for Entry Tax	944	1,063
On Employees Benefits	9,531	14,977
On unabsorbed tax losses and depreciation	-	16,473
On others	7,579	-
TOTAL [B]	18,054	32,513
Net Deferred Tax Liabilities [A] - [B]	6,878	10,325

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

5. Segment Reporting

The Company has Considered Business Segment as reporting segment and accordingly identified Liquor, Glass, and Call Centre 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	2003 - 2004			2002 - 2003		
	SALES			SALES		
	External	Inter-Segment	TOTAL	External	Inter-Segment	TOTAL
SEGMENT REVENUE						
Liquor	1,679,691	-	1,679,691	1,553,774	-	1,553,774
Glass	64,389	86,152	150,541	32,531	86,352	118,884
Systems	230,692	-	230,692	21,056	1	21,057
Others	2,030	-	2,030	31,643	3,705	35,347
TOTAL	1,976,802	86,152	2,062,954	1,639,004	90,058	1,729,062
SEGMENT RESULTS						
Liquor			53,603			84,241
Glass			(32,779)			(48,824)
Systems			26,885			(14,650)
Others			(28,980)			(11,394)
TOTAL			18,729			9,373
Unallocated Expenses			(10,804)			(1,966)
Operating profit			7,925			7,407



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

PARTICULARS	2003 - 2004	2002 - 2003
PRIMARY INFORMATION (Continued...)		
INTEREST INCOME		
Liquor	4,258	4,290
Glass	-	21
Systems	-	55
Others	90	-
TOTAL	4,348	4,366
PROFIT ON SALE OF INVESTMENT		
Liquor	28,165	-
Glass	-	-
Systems	-	-
Others	-	-
TOTAL	28,165	-
INCOME TAX		
Current Tax	(4,600)	(930)
Deferred Tax	3,447	18,828
TOTAL	(1,153)	17,898
PROFIT AFTER TAX	39,285	29,671

[B] OTHER INFORMATION

	Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities
SEGMENTS				
Liquor	13,01,357	15,87,243	1254,436	1,452,425
Glass	7,92,80	84,482	109,021	95,029
Systems	4,36,831	160,335	281,506	135,459
Others	73,895	41,294	74,648	27,889
TOTAL	18,91,363	1,873,354	1,719,611	1,710,802

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

PARTICULARS	2003 - 2004		2002 - 2003	
	Capital Expenditure	Depreciation	Capital Expenditure	Depreciation
SEGMENTS				
Liquor	9,028	21,971	39,576	22,962
Glass	631	12,450	36,850	9,481
Systems	189,224	35,226	1,59,848	1,945
Others		1,701	-	1,471
TOTAL	198,883	71,348	2,36,274	35,859
Total Assets Exclude				
INVESTMENTS				
Liquor		625,819		628,334
Glass		-		-
Systems		-		-
Others		21		21
TOTAL		625,840		628,355
FIXED DEPOSITS WITH BANK				
Liquor		25,229		23,793
Glass		32		32
Systems		1,192		1,173
Others		168		167
TOTAL		26,621		25,165
OTHER LOANS & ADVANCES				
Liquor		664,918		607,844
Glass		-		-
Systems		-		80,200
Others		-		-
TOTAL		664,918		688,044



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

PARTICULARS	2003 - 2004	2002 - 2003
Total Liability Excludes		
DEFERRED TAX LIABILITIES		
Liquor	6,878	10,325
Glass	-	-
Systems	-	-
Others	-	-
TOTAL	6,878	10,325

Geographical segment

Secondary segmental reporting is performed on the basis of the geographical location of the customers. The operations of the company comprise of export sales and indigenous sales. The company operates in two geographical areas namely India and Outside India. The operations of the group comprise revenue from the Outside India segment contributing to 17.09% of the total segmental revenue.

(Rupees in Thousands)

Particulars	Segment Revenue
India	1,832,262
Outside India	230,692
TOTAL	2,062,954

Particulars	Segment Assets
India	1,883,640
Outside India	-
TOTAL	1,883,640

Particulars	Segment Expenditure
India	198,883
Outside India	-
TOTAL	198,883

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

1. 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 Borewell Private Limited
Blendwell Bottlers Private Limited
Elkay Distilleries Private Limited
Elkay Pharmaceutical Private Limited
Elkay Steels Co Limited
Elkay Trading Corporation Private Limited
Five Brothers Marketing Private Limited
Forest Resort (Bandipur) Limited
Gayathri Foundation
Gayathri Holding Private Limited
Habib Distilleries Private Limited
Honeywell Business Private Limited
Himalaya Distilleries Limited
Hercules Construction Private Limited
Haryana Distilleries Limited
Ingo Property Developers Private Limited
Jaypee Shoes Private Limited
Kanakapura Tradings 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 Powergen India Limited
Khoday Times Private Limited
Khoday's Breweries Limited
Khoday'ss Technologies Limited
L.K. Power Corporation Limited
L.K. Trust



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

PARTICULARS

Narmada Distilleries Private Limited
 North India Distilleries Private Limited
 Ramda Pubs
 Solar Cells Private Limited
 Sovereign Con. Land Development Private Limited
 Spring Borewell Private Limited
 Surya Sugar Limited
 Surya Watch Industries Limited
 The Distillers Company Private Limited
 Trishul Wineries and Distilleries Private Limited
 United Glass Bottle Manufacturing Co Limited
 Universal Business Concepts Private Limited
 Vaishnavi Communications 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.L.A. Padmanabhasa(HUF)
 Sri K.H Gurunath
 Sri K.L. Ramachandra (HUF)
 Sri K.L. Srihari (HUF)
 Sri K.L. Swamy(HUF)
 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

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

PARTICULARS	2003 - 2004	2002 - 2003
General Mining & Minerals		
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

1.	Purchase of Goods/Services	37,734	39,685
2.	Sale of Goods/Services	25,049	33,545
3.	Purchase of Fixed Assets	-	356
4.	Leasing Arrangements	26,768	25,430
5.	License Agreement – Royalty	81	-
6.	Balance outstanding (Net) as at 31-Mar-2004 (Dr)	2,42,472	1,56,422
7.	Guarantee & Collateral obtained from*	11,17,555	4,67,021

Includes personal guarantee obtained from significant influence and Key managerial personnel and their relatives.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

Sl.No.	PARTICULARS	2003 - 2004	2002 - 2003
(b) Key Management Personnel			
1.	Sale of Goods/Services	49	55
2.	Remuneration	15,00	1,500
3.	Balance outstanding as at 31-Mar-2004 (Cr)	7,183	5,443
4.	Interest Paid	7,604	-
5.	Rent	360	-
(c) Relatives of Key Management Personnel			
1.	Rent	720	-
2.	Balance outstanding as at 31-Mar-2004 (Cr)	62,296	33,567
(d) Significant Influence			
1.	Purchase of Goods/Services	1,901	696
2.	Sale of Goods/Services	2,792	31,227
3.	Leasing Arrangements	5,000	5,000
4.	Investment in Partnership Firms	6,21,890	6,22,050
6.	Balance outstanding (Net) as at 31-Mar-2004 (Dr)	2,95,114	2,46,919
7. Contingent Liabilities			
1.	Claims against the company not acknowledged as debts	31,644	29,573
2.	(i) Disputed Sales Tax not provided	1,57,293	18,266
	(ii) Disputed Income Tax not provided	41,957	19,891
3.	Guarantees/Counter-guarantees given to Banks/ Financial Institutions / Government Departments	25,140	21,306
8. Capital Commitments			
	Estimated Value of contracts remaining to be executed on Capital Account to the extent not provided in the accounts.	25,032	29,400

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

Sl.No.	PARTICULARS	2003-2004	2002-2003
9.	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.		
10.	Advances include:		
1.	Due from companies under the same management:		
	Acqua Borewells Private Limited	178	173
	Elkay Distilleries Private Limited	1	4
	Gayathri Holdings Private Limited	3,254	2,208
	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	38
	The Distilleries Company Private Limited	7,812	17,781
	Vviva Distilleries Private Limited	-	1
	Ram Mohan & Co. Private Limited	3,401	-
	(Maximum Amount Outstanding at any time during the year Rs. 16457 Thousands previous year Rs. 20214 Thousands)		
2.	Due from private companies in which any Director is a director or a member	3,375	3,129
3.	Due from Firms in which any Director is a partner	72,224	27,067
11.	Sundry Debtors include:		
1.	Due from companies under the same management:		
	Elkay Tradings Corporation Private Limited	7	7
	Gayathri Holdings Private Limited	-	2
	Khoday Hotels Private Limited	178	287
	Khoday Industries (Kuppam) Private Limited	-	11
	Khoday Industries Private Limited	1,041	1,511
	North India Distilleries Private Limited	547	547
	Tiger Breweries Limited	-	25
	West India Distilleries Private Limited	-	2,057
	(Maximum Amount Outstanding at any time during the year Rs. 1773 thousands previous year 4447 thousands)		
2.	Due from private companies in which any Director is a director or a member	9,736	28,764
3.	Due from Firms in which any Director is a partner	7,075	9,930



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

PARTICULARS			2003-2004			2002-2003
13. Sales Turnover:						
	Unit	Qty	Value	Qty	Value	
Distillery – IML	B.L	5108480.130	8,55,425	69,64,878.195	11,49,550	
Brewery – BEER	B.L	21,74,692.88	80,282	72,70,657.320	2,14,543	
Glass	M.T	11,872.040	1,50,541	9,336.435	1,18,884	
Paper	M.T	79.1007	2,030	564.151	14,131	
RCA	B.L	43,94,245.30	7,38,032	11,26,693.800	1,89,681	
Systems	Nos.	-	-	89.000	867	
Others		-	5,952		41,406	
Total Sales			18,32,262		17,29,062	
Less: Excise Duty			7,12,848		5,15,419	
Net Sales			111,94,14		12,13,643	
Service Income			2,30,692	-	-	
Total Income			13,50,106		12,13,643	
13. Particulars of Materials Consumed:						
(a) Distillery						
Barley Malt	Kgs	8,95,196	11,443	35,59,250	51,527	
Rectified Spirit	Lts	37,79,591	22,582	26,45,910	29,298	
Molasses	M.T	5,999	14,312	10,450	30,997	
Empty Glass Bottles	Nos.	95,36,870	52,597	1,39,49,303	73,154	
Cartons	Nos.	21,34,102	42,352	68,81,023	23,604	
Others		-	38,716	-	96,7131	
			1,82,002		3,05,293	
(b) Glass						
Soda Ash	M.T	1,285.203	14,555	1,474.570	15,890	
Cullets	M.T	6,300.742	12,645	2,283.476	5,284	
Silica/Quartz Sand	M.T	4,075.486	4,269	4,721.290	4,989	
Others			54,835		52,653	
			86,304		78,816	
(c) Brewery						
Malt	Kgs	341568	5,478	10,56,490	15,701	
Hops/Hops Pellets	Kgs	1162	320	3,217.600	1,035	
Sugar	Kgs	72200	1,012	2,45,860	3,480	
Empty Glass Bottles	Nos	3444706	13,792	1,28,18,417	43,666	
Cartons	Nos	464845	2,422	11,45,436	7,209	
Others		-	6,032	-	16,821	
			29,056		87,912	

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

PARTICULARS		2003-2004		2002-2003	
	Unit	Qty	Value	Qty	Value
(d) Paper					
Waste Paper	M.T	96.20	1,365	769.29	7,784
Others			222		989
			<u>1,587</u>		<u>8,773</u>
(e) R C A					
Rectified Spirit	Lts	23,51,740	63,750	5,74,150	16,700
Empty Glass Bottles	Nos	18,906,785	46,372	45,90,211	12,151
Cartons	Nos	5,03,326	9,830	1,31,097	2,446
Others		-	29,077		6,253
			<u>149,029</u>		<u>37,550</u>
(f) Systems					
PCB	Nos	-	5	152	47
ICS	Nos	-	-	2109	61
Others		-	-	-	69
			<u>5</u>	<u>-</u>	<u>177</u>
14. Purchase of goods for Resale:					
Distillery – IML	B.L	4,980	2,198	4,532.100	1,006
R C A – IML	B.L	-	-	9382.320	1,682
Systems		-	-	-	500
Others		-	-	-	1,002
			<u>2,198</u>		<u>4,190</u>
Total Consumption & Purchase for Resale			<u>4,50,181</u>		<u>5,22,711</u>
15. Inventory – Finished Goods:					
Opening Stock					
Distillery – IML	B.L	458549.520	45,120	343504.680	28,358
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	—	838
			<u>66,099</u>		<u>52,243</u>



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

PARTICULARS	2003-2004			2002-2003	
Unit	Qty	Value	Qty	Value	
Closing Stock					
Distillery – IML	B.L	2,66,601.755	31,480	4,58,549.520	45,120
Brewery – BEER	B.L	42,075.40	1,075	44,454.120	845
Glass	M.T	895.065	11,218	1,255.795	15,902
Paper	M.T	53.32	1,284	82.042	1,938
RCA – IML	B.L	27,569.500	1,020	23,347.800	1,596
Systems			698		698
			46,775		66,099

16. 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.
System	N.A.	N.A.

17. Production:

PARTICULARS	UNIT	QUANTITY	
Distillery	B.L	49,22,006.76	7099237.920
Less: Breakages	B.L	10,454.40	19314.885
Brewery	B.L	21,72,314.16	7256767.440
Glass	M.T	11511.310	6934.220
Paper	M.T	50.415	589.181
R C A – IML	B.L	4398467.00	1150041.600
Systems	Nos.	-	89.000

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 23

[Rupees in Thousands]

PARTICULARS	2003-2004		2002-2003	
18. CIF Value of Imports:	Value		Value	
Raw Materials	8,042		8,409	
Capital Goods	1,599		30,574	
19. Consumption of Imported and Indigenous Materials & Components:				
Imported	1.18%	5,304	2.72%	14,198
Indigenous	98.82%	4,44,877	97.28%	508,512
20. Expenditure in Foreign Currency				
For Travel		2,573		864
Technical Fees		2,455		-
Communication charges		13,914		-
Others		340		3,409
21. Earnings in Foreign Currency				
FOB Value of Exports		2,32,018		19769
Reimbursement of Expenses		708		-
22. Payments made or provided for Directors				
Directors' sitting fees		19		34
Managerial Remuneration		1,500		1,500

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.

23. Investment in Lakshmi Estate

Name of the Partners	Total Capital	Share of Partners	Total Capital	Share of Partners
Khoday India Limited	6,21,890	75.00	6,22,021	75.00%
K.L. Srihari – HUF	5,1824	6.25%	51,835	6.25%
K.L. Swamy – HUF	5,1824	6.25%	51,835	6.25%
K.L. Ramachandra – HUF	5,1824	6.25%	51,835	6.25%
K.L.A.Padmanabhasa – HUF	5,1824	6.25%	51,835	6.25%
TOTAL	8,29,186	100.00	8,29,361	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.26,871 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. Rates & Taxes include Sales Tax pertaining to previous years to the extent of Rs.22000 thousands, which has crystallized during the year.
31. Consequent to the Scheme of Amalgamation and pursuant to the order of Honourable High Court of Karnataka, during the year, the company has bought back 53,134 Equity shares of Rs.10/- at a premium of Rs.15/- each out of Profit of the Company. The company has duly created a Capital Redemption Reserve equivalent to Rs.5,31,340/- as required by Section 77AA of the Companies Act,1956.
32. Previous year figures have been re-grouped/re-arranged wherever necessary to confirm to the current years' presentation.

K. L. RAMACHANDRA
Chairman

K. L. SRIHARI
Vice - Chairman
Managing Director

As per my report of even date

Place: Bangalore
Date : 02-03-2005

M. S. MAYYA
Company Secretary

S. SUKUMAR
Chartered Accountant

KHODAY INDIA LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2004

[Rupees in Thousands]

PARTICULARS	2003-2004	2002-2003
A. Cash flow from Operating Activities		
Net Profit/(Loss) before Tax	40,438	11,774
Adjustments for :		
Depreciation	71,348	35,858
Profit on Sale of Investments	(28,165)	(342)
Loss on Sale of Investments	8,854	
Interest Income	(4,164)	(4,130)
Dividend Income	(184)	(236)
Interest & Bank Charges	198,323	174,223
Deferred Revenue Expenditure Written off	6,950	-
Preliminary expenses written off	8	-
Operating Profit before Working Capital Changes	293,408	217,147
Adjustments for:		
(Increase)/Decrease in Sundry Debtors	(41,544)	16,454
(Increase)/Decrease in Inventories	(800)	(103,901)
(Increase)/Decrease in Loans & Advances	(30,482)	431,234
(Increase)/Decrease in Other Current Assets	10	(128)
Increase/(Decrease) in Other Current Liabilities	42,586	123,928
Cash Generated from Operating Activities	263,178	684,734
Direct Taxes(Paid)/ Received - (Net)	(1,234)	765
Prior Year Adjustments		4,020
Net Cash from/(Used in) Operating Activities	261,944	689,519
B. Cash flow from Investing Activities		
Purchase of Fixed Assests	(203,948)	(196,873)
Purchase of Investments	(70,294)	(622,504)
Sale of Investments	91,990	359
Interest Income	4,164	4,130
Dividend Income	184	236
Deferred Revenue Expenditure	-	(31,970)
Loss from Lakshmi Estate (Partnership Firm)	131	



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2004

[Rupees in Thousands]

PARTICULARS	2003-2004	2003-2003
Net Cash from / (Used in) Investing Activities	(177,773)	(846,622)
C Cash flow from Financial Activities		
Buy back of Shares	(1,328)	-
Proceeds from Long Term Borrowings	183,799	380,010
Repayment of Long Term Borrowings	(63,340)	(179,693)
Dividend Payment relating to earlier years	(1)	-
Interest & Bank Charges	(198,323)	(174,223)
Inflow due to Amalgamation	-	113,799
Net Cash flow from/(Used in) Financing Activities	(79,193)	139,893
Net Cash Flows during the year {A+B+C}	4,978	(17,210)
Cash & Cash Equivalents(Opening Balance)	49,033	59,184
Add: Cash & Cash Equivalents takeover on Amalgamation	-	7,059
Cash & Cash Equivalents (Closing Balance)	54,011	49,033

Notes:

1. Cash Flow statement has been prepared under the Indirect method as set out in Accounting standard-3 on "Cash Flow Statement issued by the Institute of Chartered Accountants of India
2. Figures in brackets indicate cash outgo
3. Previous Year's figures have been re-grouped/re-arranged wherever necessary to confirm to the current Year's Presentation.

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								
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>3</td><td>1</td></tr></table>	3	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>0</td><td>3</td></tr></table>	0	3	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>0</td><td>0</td><td>4</td></tr></table>	2	0	0	4
3	1									
0	3									
2	0	0	4							

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	6	4	1	9	6	7
---	---	---	---	---	---	---

Total Assets

2	6	4	1	9	6	7
---	---	---	---	---	---	---

A. Sources of Funds

Paid-up Capital

	3	7	5	9	1	2
--	---	---	---	---	---	---

Reserves & Surplus

	9	7	4	7	4	2
--	---	---	---	---	---	---

Secured Loans

1	1	5	5	4	7	9
---	---	---	---	---	---	---

Unsecured Loans

	1	2	8	9	5	6
--	---	---	---	---	---	---

Deferred Tax

			6	8	7	8
--	--	--	---	---	---	---

B. Application of Funds

Net fixed Assets

	6	3	8	8	5	6
--	---	---	---	---	---	---

Capital Work In Progress

	3	1	6	6	8	7
--	---	---	---	---	---	---

Investments

	6	2	5	8	4	0
--	---	---	---	---	---	---

Net Current Assets

1	0	3	3	0	5	8
---	---	---	---	---	---	---

Miscellaneous Expenditure

		2	7	5	2	6
--	--	---	---	---	---	---

Accumulated Losses

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



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

Turnover

2	0	6	2	9	5	4
---	---	---	---	---	---	---

Profit Before Tax

		4	0	4	3	8
--	--	---	---	---	---	---

Earning Per Share (Rs. Ps.)

(Basic)

			1	.	0	4
--	--	--	---	---	---	---

Earning Per Share (Rs. Ps.)

(Diluted)

			1	.	0	4
--	--	--	---	---	---	---

Total Expenditure

1	3	5	8	5	0	8
---	---	---	---	---	---	---

Profit After Tax

		3	9	2	8	5
--	--	---	---	---	---	---

Dividend Rate %

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

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES

Product Discription
Code)

Item code No. (ITC

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 : 02-03-2005

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 Eighth Adjourned
Annual General Meeting**
30th Mar. 2005 at 4.00 p.m.

Vaishnavi Kalyana Mantapa
Beside Shравanthi Kalyana
Mantapa, 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

Folio No.		
	Client ID No.	
Proxy No.	DP ID No.	
Date of Receipt	No. of Shares	

I/We
of.....in the district of.....being a
member / 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 Adjourned Annual General Meeting of the Company
to be held at Vaishnavi Kalyana Mantapa, Beside Shравanthi Kalyana Mantapa, Kanakapura Road, Bangalore - 560 062
on Wednesday the 30th Mar. 2005 at 4-00 p.m. and at any adjournment thereof.

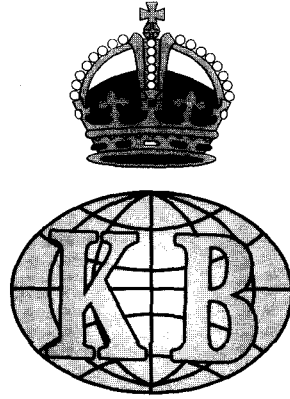
Date :

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.

Shareholders may kindly note that no gift will be given at the meeting



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