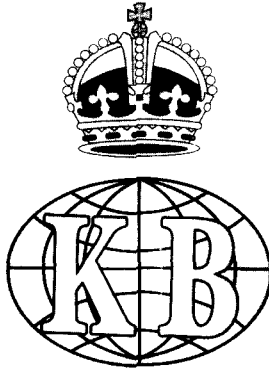


Fortieth
Annual Report
2005 - 2006



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

CERTIFIED TRUE COPY
for KHODAY INDIA LIMITED


Company Secretary



NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the FORTIETH Annual General Meeting of KHODAY INDIA LIMITED will be held on Friday, the 29th September 2006 at 12 30 p m at Vaishnavi Kalyana Mantapa Kanakapura Road Bangalore-560 078, to transact the following business

ORDINARY BUSINESS:

- 1) To receive consider and adopt the Audited Balance Sheet as at 31-3-2006 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/- 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

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

Place Bangalore
Date 06 09 2006

(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 23-9-2006 to 29-9-2006 (both days inclusive)
- E Members/Proxies should bring the attendance slip duly filled in for attending the Meeting

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

Place Bangalore
Date 06 09 2006

(M.S. MAYYA)
COMPANY SECRETARY

KHODAY INDIA LIMITED

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 - 76 YEARS

Date of Appointment 28-09-1965

Qualification Industrialist

Specialised Expertise General Management

Other Directorships None

Sri K L Ramachandra is a Director since its inception

Sri K L Ramachandra is a Director of the following Company

Forest Resort (Bandipur) Ltd, Himalaya Distilleries Ltd, Khodays Breweries Ltd, L K Polyfibre Ltd National Distilleries Ltd Surya Watch Industries Ltd, Tiger Breweries Ltd and United Bottling and Manufacturing Company Ltd

Chairman/Member of the Committees MEMBER Audit Committee Khoday India Ltd

Chairman Shareholders / Investors, Greivance Committe, Khoday India Ltd

2 Name Sri K L A Padmanabhasa

Date of Birth and Age 30-12-1940 - 65 YEARS

Qualification Industrialist

Date of Appointment 28-2-1969

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

Khodays Breweries Ltd, Khodays Technologies Ltd, Khodays International Ltd, L K Power Corporation Ltd, National Distilleries Ltd, Tiger Breweries Ltd, United Bottling and Manufacturing Company Ltd and Wescopower Corporation Ltd

Chairman/Member of the Committees MEMBER None



REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the 40th Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2006

FINANCIAL HIGHLIGHTS:

(Rs in Lakhs)

Particulars		2005-2006	2004-2005
1	Gross Income	15447.83	15613 67
	Less Excise Duty	5667 82	4546 28
2	Net Income	9780.01	11067 39
3	Profit Before Tax	(1371.39)	(554 60)
4	Provision for Taxation		
	Current Tax	-	-
	Deferred Tax	-	68 78
	Fringe Benefit Tax	(20.26)	
5	Prior year adjustments	-	(5 50)
6	Profit After Tax	(1391.65)	(491 32)
	ADD Income Tax for the earlier years	9.88	
	ADD Balance Brought forward	-	387 54
		(1381.77)	(103 78)
7	Transfer to Debenture } Redemption Reserve}		
8	Balance carried forward	(1381.77)	(103 78)

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 Rs 97 80 Crores compared to Rs 110 67 Crores in the previous year, representing a decrease of Rs 12 87 Crores. The paper mill situated at Kunigal has not worked during the year under review. Steps are being taken to commence operation in the unit. The plant and machinery and all other assets are being maintained in good condition and there is no impairment of any of the assets of the Paper Mill.

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.

DIRECTORS:

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.

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

KHODAY INDIA LIMITED

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, 2006 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, 2006 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 23 12 2005, to hold office until the conclusion of the next Annual General Meeting

REMARKS OF AUDITORS:

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 Over due Loan Amount

The overdue amount payable to Banks, Financial Institutions, etc , have been paid subsequently to the extent of Rs 203 59 Lakhs to Banks and Rs 585 40 to Financial Institutions

3 As per the opinion of the Management the amount mentioned in the audit report amounting to Rs 316 21 Lakhs in respect of Sundry Debtors and Rs 350 99 Lakhs in respect of irrecoverable advances would be realized 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 06 09 2006
Place Bangalore

K.L. RAMACHANDRA
C HAIRMAN



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	31-03-2006	31-03-2005
	Glass	Glass
A. POWER & FUEL CONSUMPTION		
1 Electricity		
(a) Units Purchased KWH	53,72,098	54,08,352
Amount (Rupees in '000s)	27,106	27,534
Rate per Unit (in Rs)	5 05	5 10
(b) Own Generation		
Through Diesel Generators		
Units Produced KWH	59,845	2,05,052
Rate per Unit (in Rs)	15 29	10 42
B. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity KWH (per M T)	636	619

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	31-03-2006	31-03-2005
A FOREIGN EXCHANGE OUT GO	11,936	14,568
B FOREIGN EXCHANGE EARNINGS	1,57,723	2,85,804

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 2006:

1) NAME	LEHAR SARMA
2) DESIGNATION	VICE-PRESIDENT - MARKETING
3) REMUNERATION (RS Per Annum)	92,22,820/-
4) QUALIFICATION	MBA
5) EXPERIENCE (YRS)	8 YEARS 4 MONTHS
6) COMMENCEMENT OF EMPLOYMENT	1-2-2002
7) AGE (YRS)	33 YEARS
8) PARTICULARS OF LAST EMPLOYMENT/EMPLOYER	2 YEARS
LAST POST AND PERIOD FOR WHICH POST HELD	GLOBAL BUSINESS DIRECTOR AIR INFOTECH, GURGAON
9) RESIGNED ON	31-1-2006

KHODAY INDIA LIMITED

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 31-3-2006 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 2005-2006 on 29-4-2005 28-7 2005, 30-9-2005, 31-10-2005, 30-11-2005, 31-01-2006

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	4	P
3	SRI K L A PADMANABHASA	Executive	6	P
4	SRI K L SWAMY	Executive	6	P
5	PROF L R VAGALE	Non-Executive Independent	6	P
6	MAJ GEN M K PAUL	Non-Executive Independent	6	P

(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	8	2
2	SRI K L SRIHARI	10	2
3	SRI K L A PADMANABHASA	8	-
4	SRI K L SWAMY	8	2
5	PROF L R VAGALE	-	1
6	MAJ GEN M K PAUL	-	1



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 Meeting was held on 28-2-2006.

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 12 complaints from Shareholders which were attended to promptly and disposed off within 30 days.

SHAREHOLDERS'/INVESTORS' COMPLAINTS:

Particulars of Complaints received during 2005-2006

Complaint from	Received	Redressed	Pending as on March 31, 2006
Shareholders/Investors	7	7	NIL
Depositories/DP	NIL	NIL	NIL
SEBI	2	2	NIL
Stock Exchanges	3	3	NIL
Department of Company Affairs/Registrar of Companies	NIL	NIL	NIL
TOTAL	12	12	NIL

NATURE OF COMPLAINTS

Nature	No of Complaints	% of Complaints
Transfer of Shares	6	50.00
Issue of duplicate Share certificates	1	8.33
Non receipt of Dividend Warrants	-	-
Dematerialisation of Shares	-	-
Non receipt of Annual Report	1	8.33
Change of Address	-	-
Non receipt of Debenture	-	-
Redemption Warrant/Amount	3	25.00
Others	1	8.33
Total	12	100.00

KHODAY INDIA LIMITED

5. GENERAL BODY MEETINGS:

A) Particulars of last three Annual General Meeting

AGM	Year ended	Venue	Date	Time
39 th	31-3-2005	Shravanti Kalyana Mantapa, Kanakapura Road, Bangalore-560 078	23-12 2005	12 00 NOON
38 th	31-3-2004	(ADJOURNED MEETING) Vaishnavi Kalyana Mantapa (Nest to Shravanti Kalyana Mantapa) Kanakapura Road, Bangalore-560 078	30-3-2005	04-00 PM
38 th	31-3-2004	Shravanti Kalyana Mantapa, Kanakapura Road, Bangalore-560 078 (MEETING ADJOURNED)	24-12-2004	12 15 PM

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

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:

40TH ANNUAL GENERAL MEETING – 29th September 2006 At 12 30 p m At Vaishnavi Kalyana Mantapa, Kanakapura Road, Bangalore-560 078

40th Annual Report 2005 - 2006



Financial year 2005-2006

Book Closure Date 23-09-2006 to 29-09-2006

Listed at Bangalore Stock Exchange Ltd
Stock Exchange Towers,
51, 1st Cross, J C Road
Bangalore-560 027
Phone No 41575234

Bombay Stock Exchange Ltd
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400 001
Phone No 022-2721234

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

Market Price data during April 2005 – March 2006 on Mumbai Stock Exchange

MONTH		OPEN	HIGH	LOW	VOLUME
APRIL	2005	45 00	63 00	39 60	358277
MAY	2005	53 00	54 00	45 25	206489
JUNE	2005	48 85	52 50	42 00	220155
JULY	2005	44 60	55 90	42 00	909161
AUGUST	2005	46 00	66 70	44 10	679368
SEPTEMBER	2005	65 70	86 90	56 60	848781
NOVEMBER	2005	66 20	66 20	50 00	208062
DECEMBER	2005	67 20	59 00	46 80	229218
JANUARY	2006	49 50	52 75	42 40	185157
FEBRUARY	2006	45 00	49 70	38 75	133218
MARCH	2006	40 00	42 25	34 35	211851

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	Shares	%	Equity Shares
As on 31-3-2006			
Physical	32933030	87 61	10662
Demat	4658207	12 39	5357

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

KHODAY INDIA LIMITED

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 23460815/Fax No 23460819

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 2006 is given below

Range of Shares	No. of Share holders	% of Share holders	No of Shares Held	% of Share-holding
1- 500	15358	95 87	1963768	5 22
501 - 1000	339	2 12	274943	0 73
1001 - 2000	134	0 84	205545	0 55
2001 - 3000	44	0 27	112449	0 30
3001 - 4000	23	0 14	82845	0 22
4001 - 5000	12	0 07	56410	0 15
5001 -10000	33	0 21	237136	0 63
Over 10,000	76	0 47	34658141	92 20
Total	16,019	100 00	37591237	100 00

Categories of shareholding as on 31st March 2006

Category	No of Shareholders	No of Shares held	% of Shareholding
Individuals (Including NRI's)	15728	29,52,546	7 85
Companies	205	3,12,533	0 83
Promoters and Associated Companies	61	3,43,10,216	91 28
FII	NIL	NIL	NIL
Mutual Funds, FI's Banks	9	5,127	0 01
NSDL/CDSL	16	10,815	0 03
Total	16,019	3,75,91,237	100 00



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 essentially manufacturing high quality Alcoholic Beverages, popular throughout the country and in oversea markets. The company also manufactures high quality Glass Bottles and Writing Paper. Besides the company operates in the I T sector.
- 2 **Business Environment** The Alcoholic Beverages Industry is growing at a satisfactory rate and the company's products are in great demand. However, competition is increasing.
- 3 **Financial Performance** The gross sales turn over of the company at Rs 154.48 Crores was close to the previous year's figure of Rs 156.13 Crores. However, the excise duty and import fee component drastically increased from Rs 45.46 Crores in the year 1994-95 to Rs 56.68 crores during the year 2005-06. This has considerably affected the profitability of the company and the loss before taxation increased from Rs 5.5 crores to Rs 13.71 crores.
- 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.
- 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 2006 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 two Audit committee meetings 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 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 06/09/2006

S. SUKUMAR
Chartered Accountant
Membership No 19882



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 2006 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 provides 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 it 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 In my opinion and based on the information and explanations given to me, on the basis of written representation received from the directors, as on 31st March 2006 and taken on record by the Board of Directors, I report that no Director is disqualified as at 31st March, 2006 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
 - a) **Note No. 9 regarding non – confirmation of balances and non receipt of statement of accounts for non convertible Debentures, Secured loans from Financial Institutions, Sundry debtors, Sundry creditors, advances received and loans and advances, the difference on reconciliation of these accounts and its impact, if any, could not be ascertained.**
 - b) **Non – Provision for Bad and doubtful debts amounting to Rs. 316.21 lakhs in respect of certain Sundry debtors and Rs. 350.99 lakhs in respect of certain doubtful loans and advances.**
Had the provision in paragraph 6(b) above been considered, the loss for the year would have gone up by Rs. 667.20 lakhs, the reserves and surplus would have gone down by Rs. 667.20 lakhs, Sundry Debtors would have gone down by Rs. 316.21 lakhs and the loans and advances would have gone down by Rs. 350.99 lakhs.

KHODAY INDIA LIMITED

- c) **Note No.26 regarding dispute between Bagga Millennium Liquor India Private Limited and Company wherein claims and counter claims been made by the parties concerned, the impact of which is not ascertainable.**

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 2006,
b In the case of the Profit and Loss Account, of the Loss 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 06 09 2006

S. SUKUMAR
Chartered Accountant
Membership No 19882



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) I have been informed that the fixed assets of the Company are physically verified by the Management according to a phased program designed to cover all the items over a period of three years, which in my opinion, is reasonable having regard to the size of the Company and the nature of its assets Pursuant to the program, physical verification was carried out during the year and to the best of my knowledge no material discrepancies were noticed
- (c) In my opinion, the company has not disposed off any fixed assets during the year
- II (a) As explained to me, Inventories have been physically verified by the management at regular intervals during the year The stocks in possession of the third parties have been confirmed by them
- (b) In my opinion and according to the information and explanations given to me, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business
- (c) In my opinion and according to the information and explanation given to me, the Company has maintained proper records of inventories and no material discrepancies were noticed on physical verification
- III (a) The company has not granted any Loans secured or unsecured to Companies, firms or other parties, which have been listed in the Register maintained under Section 301 of the Companies Act 1956 Accordingly the Clause 4(iii) (b), (c), (d) of the order are not applicable
- (e) 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 four other parties who are listed in the register maintained under section 301 of the Companies Act The maximum amount involved during the year and the year-end balance of such loan aggregate to Rs 499 13 lakhs and Rs 499 13 lakhs respectively
- Further the company has taken unsecured Interest free loan from four Directors of the company and the maximum amounts outstanding at any time during the year is Rs 368 59 lakhs and the year end balance of such loan is Rs 345 07 Lakhs
- (f) In my opinion and 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 listed in the register maintained under Section 301 of the Companies Act,1956 are not prima facie 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 that such Loans are prima facie, not prejudicial to the interest of the company
- (g) As there is no stipulation as to the repayment of principal and interest I am unable to comment on the regularity of the repayment of these loans
- IV In my opinion and according to the information and explanations given to me there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services During the course of my audit, I have neither come across nor have I been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system
- V (a) In my opinion and according to the information and explanations given to me, the particulars of contracts or arrangements referred to in section 301 of the Companies Act,1956 and need to be entered into the register maintained under that section have been so entered

KHODAY INDIA LIMITED

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

- VI In my opinion and according to the information and explanations given to me, the company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act and the rules framed thereunder
- VII In my opinion, the company has an Internal Audit system commensurate with the size of the company 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 my 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 except certain amount towards employees provident fund, employees state insurance, sales tax, entry tax, professional tax and tax deducted at source, where it is not regular

(b) According to information and explanation given to me excepting for Rs.48.14 lakhs towards sales tax, Rs.1.29 lakhs towards Employees Provident Fund, Rs.2.08 lakhs towards Entry Tax, Rs.0.42 lakhs towards Professional Tax, Rs.61.06 lakhs towards Income Tax before giving effect to the order of the appellate authorities, Rs.0.07 lakhs towards ESI and Rs.2.55 lakhs towards TDS. There are no other undisputed amounts payable in respect of statutory dues which have been remained outstanding as at 31st March 2006 for a period of more than six month from the date they became payable

(c) 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 & Related Period	Rupees in Lacs	Forum where dispute is pending
Karnataka sales Tax Act, 1957	Sales tax, Entry Tax and penalty from FY 1992 to 2001	253 60	Deputy Commissioner of Commercial Taxes Bangalore
Income Tax Act, 1961	Income Tax Demand FY 1999-00	41 20	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax Demand FY 2000-01	220 65	Commissioner of Income Tax (Appeal)
Income Tax Act, 1961	Income Tax Demand FY 2001-02	160 17	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax Demand FY 2003-04	94 02	Commissioner of Income Tax (Appeal)

- X In my opinion, the company does not have any accumulated losses at the end of the financial year and the company has incurred cash losses during the financial year covered by my audit and cash loss in the immediately preceding financial year after making adjustments for audit qualifications



XI. According to the information and explanations given to me, the company has defaulted in repayment of principal and interest dues to the following banks, financial institutions and debenture holders.

Name of the Institution	Nature of Dues	Amount of Default (Rs. in Lakhs)	Month from which default continues	Actual amount paid (Rs. in Lakhs)	Actual date of Payment
Canara Bank	Term Loan	6 33	Sept' 2005	Nil	
		97 50	Oct' 2005 - March 2006 @ Rs 16 25 lacs per month	Nil	
Canara bank	Int on Term Loan	36 92	Oct' 2005	Nil	
Canara Bank	Term Loan	13 21	Feb' 2005	Nil	
		409 50	March 2005 - March 2006 @ Rs 31 50 lacs per month	Nil	-
Canara Bank	Int on Term Loan	87 13	July 2005	Nil	
Dhanalakshmi Bank	Term Loan	23 86	Oct' 2005	23 86	18 07 06
		55 56	Jan' 2006	55 56	18 07 06
UCO Bank	Term Loan	331 65	Nov 2004	94 88	17 07 06
UCO Bank	Int on Term Loan	5 12	March 2006	5 12	17 07 06
United Western Bank	Term Loan	20 48	Nov' 2005	17 00	28 06 06
		25 71	Feb' 2006	Nil	-
KSIIDC	Debenture	25 40	May' 2004	25 40	11 04 05
		80 00	Aug' 2004	4 60	11 04 05
				50 00	08 06 05
				25 40	18 06 05
		80 00	Nov' 2004	24 60	18 06 05
				50 00	18 06 05
5 40	27 09 05				
KSIIDC	Term Loan	150 00	Oct' 2003 - Oct 2004 @ Rs 30 00 lacs per quarter	100 00	26 05 06
		40 00	Jan' 2005	Nil	
KSIIDC	Int on Term Loan	9 12	March 2006	9 12	10 05 06
KSIIDC	Term Loan	357 44	June 2003 - March 2005 @ Rs 50 00 lacs per quarter	55 79	28 08 06
KSIIDC	Int on Term Loan	235 09	June 2003	190 88	10 05 06
				44 21	28 08 06
KSIIDC	Term Loan	350 00	Sept' 2003 - March 2005 @ Rs 50 00 lacs per quarter	Nil	
		2 92	June 2005	Nil	
KSIIDC	Int on Term Loan	61 58	July 2005	Nil	-
City Bank	HP Loan - car	1 34	Feb' 2006	Nil	-
		1 33	March 2006	Nil	-
ICICI Bank	HP Loan - car	6 38	Dec' 2005 - March 2006 @ Rs 1 60 lacs per month	1 60	27 05 06
ICICI Bank	Loan cum Hypothecation	4 25	Dec' 2005 - March 2006 @ Rs 1 06 lacs per month	1 06	27 05 06

KHODAY INDIA LIMITED

Name of the Institution	Nature of Dues	Amount of Default (Rs in Lakhs)	Month from which default continues	Actual amount paid (Rs in Lakhs)	Actual date of Payment
ICICI Bank	Loan cum Hypothecation	3.64	Dec 2005 – Jan 2005 @ Rs 1.82 lacs per month	1.82	27.05.06
Standard Chartered	HP Loan – car	1.34	Dec 2005 – Jan 2006 @ Rs 0.67 lacs per month	1.34	28.06.06
Standard Chartered	HP Loan – car	0.97	Dec 2005 – March 2006 @ Rs 0.24 lacs per month	0.49	28.06.06
Standard Chartered	Loan cum Hypothecation	0.86	Dec 2005 – Jan' 2006 @ Rs 0.43 lacs per month	0.86	28.06.06

- XII 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
- XIII 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.
- XIV In my opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- XV According to the information and explanation given to me, the company has not given any guarantees for the loans taken by others from banks or financial institutions.
- XVI In my opinion the company has not obtained any term loan during the year. Hence reporting about the application of such loan does not arise.
- XVII 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.
- XVIII According to the information and explanation given to me, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.
- XIX According to the information and explanations given to me, the company has not issued any debentures during the year.
- XX The company has not raised any money by way of public issue during the year.
- XXI 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 06.09.2006

S. SUKUMAR
Chartered Accountant
Membership No 19882

**BALANCE SHEET AS AT 31ST MARCH, 2006**

[Rupees in Thousands]

PARTICULARS	Schedule No	As at 31-03-2006	As at 31-03-2005
SOURCES OF FUNDS			
1. SHARE HOLDERS' FUNDS			
[a] Share Capital	1	375,912	375,912
[b] Reserves & Surplus	2	732,727	898,257
2. LOAN FUNDS			
[a] Secured Loans	3	758,855	932,753
[b] Unsecured Loans	4	92,020	80,400
3. DEFERRED TAX LIABILITY (NET)			
TOTAL:		<u>1,959,514</u>	<u>2,287,322</u>
APPLICATION OF FUNDS			
4. FIXED ASSETS :-	5		
[a] Gross Block		1,292,086	1,289,281
[b] Less Depreciation		<u>713,120</u>	<u>633,017</u>
[c] Net Block		578,966	656,264
5. CAPITAL WORK-IN-PROGRESS			
[a] Contact Centre		167,059	146,079
[b] Others		63,713	93,764
6. INVESTMENTS	6	623,430	623,994
7. CURRENT ASSETS, LOANS & ADVANCES			
[a] Inventories	7	546,082	492,525
[b] Sundry Debtors	8	264,022	311,116
[c] Cash & Bank Balances	9	48,326	29,848
[d] Other Current Assets	10	516	465
[e] Loans & Advances	11	484,455	606,347
		<u>1,343,391</u>	<u>1,440,301</u>
8. LESS: CURRENT LIABILITIES & PROVISIONS :-			
[a] Current Liabilities	12	761,585	652,287
[b] Provisions	13	61,098	41,437
		<u>822,683</u>	<u>693,724</u>
9. NET CURRENT ASSETS		520,708	746,577
10. MISCELLANEOUS EXPENDITURE	14	5,638	20,644
(To the extent not written off or adjusted)			
TOTAL :		<u>1,959,514</u>	<u>2,287,322</u>

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 06-09-2006

M. S. MAYYA
Company Secretary

S. SUKUMAR
Chartered Accountant
Membership No 19882

KHODAY INDIA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

[Rupees in Thousands]

PARTICULARS	Schedule No	For the year ended 31-03-2006	For the year ended 31-03-2005
INCOME :			
Sales (Gross)	15	1,432,713	1,508,194
Less Excise Duty and import Fee		<u>566,782</u>	<u>454,629</u>
Sales (Net)		865,931	1,053,565
Other Income	16	56,838	19,256
Increase / (Decrease) in Stock	17	55,232	33,918
T O T A L :- [A]		<u>978,001</u>	<u>1 106,739</u>
EXPENDITURE :			
Consumption of Materials and Purchase for resale	18	386,031	376,284
Mfg, Administrative & Selling Expenses	19	383,515	343,559
Personnel Expenses	20	146,300	201,385
Interest & Bank Charges	21	146,544	180,988
Depreciation	22	52,750	59,983
T O T A L :- [B]		<u>1,115,140</u>	<u>1,162,199</u>
PROFIT / (LOSS) BEFORE TAXATION [A-B]		<u>(137,139)</u>	<u>(55,460)</u>
LESS Provision for Taxation - Deferred Tax		-	6,878
- Fringe Benefit Tax		<u>2,026</u>	
PROFIT / (LOSS) BEFORE EXCEPTIONAL ITEMS		<u>(139,165)</u>	<u>(48,582)</u>
Income tax relating to earlier years - (Net)		988	
Prior year adjustments		-	(550)
NET PROFIT / (LOSS) FOR THE YEAR		<u>(138,177)</u>	<u>(49,132)</u>
ADD Balance Brought forward		-	38,754
Balance carried to Balance Sheet		<u>(138,177)</u>	<u>(10,378)</u>
T O T A L :-		<u>(138,177)</u>	<u>(10,378)</u>
Basic and Diluted Earnings Per Share (in Rupees) (Refer Note-2)		<u>(3.70)</u>	<u>(1 29)</u>

Significant Accounting Policies and Notes on Accounts Sch. No. 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 06-09-2006

M. S. MAYYA
Company Secretary

S. SUKUMAR
Chartered Accountant
Membership No 19882


SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	As at 31-03-2006	As at 31-03-2005
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 38134237) Equity Shares of Rs 10/- each	381,342	381 342
SUBSCRIBED AND PAID UP		
3,75,91,237 (previous year 37591237) 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 allotted to erstwhile Manaylux Paper Board Pvt Ltd as per the scheme of amalgamation and 23076923 Equity shares allotted to erstwhile Khoday Systems Limited as per the scheme of amalgamation for consideration Other than cash)	375,912	375,912
Total...	375,912	375 912
 SCHEDULE - 2		
RESERVES AND SURPLUS:		
CAPITAL RESERVE		
As at the beginning of the financial year	190,918	190,918
As at the end of the financial year	190,918	190,918
CAPITAL REDEMPTION RESERVE:		
As at the beginning of the financial year	531	531
As at the end of the financial year	531	531
SHARE PREMIUM ACCOUNT		
As at the beginning of the financial year	115,463	115,463
As at the end of the financial year	115,463	115 463
GENERAL RESERVE:		
As at the beginning of the financial year	272,556	282 934
Less Debit balance transfer from Profit & Loss Account	138,177	10 378
As at the end of the financial year	134,379	272 556
REVALUATION RESERVE:		
As at the beginning of the financial year	268,789	296 142
Less Transfer from Profit & Loss Account	27,353	27 353
As at the end of the financial year	241,436	268 789
DEBENTURE REDEMPTION RESERVE:		
As at the beginning of the financial year	50,000	50 000
As at the end of the financial year	50,000	50,000
Total...	732,727	898,257

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	As at	As at
	31-03-2006	31-03-2005
SCHEDULE - 3		
SECURED LOANS :		
a 16 5% Non Convertible Debentures	—	18,540
b From Banks - Cash Credits	336,352	376,298
- Term Loans	245,647	364,744
c From Financial Institutions	120,614	110,931
d From Others	14,790	24,506
e Interest Accrued and Due	41,452	37,734
Total	758,855	932,753

(a) 16 5% Privately placed Non Convertible Secured Debentures have been redeemed during the year. It was 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 moveable 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 by way of Hypothecation of Stock of Raw materials, Semi finished, Finished goods, other packing materials, Bills receivables and book debts and other Moveable property of Distillery Division on pari pasu basis.

(c) Term Loan of Rs. 2456.47 Lacs includes

(i) Rs 874.04 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.

(ii) Rs 336.78 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 493.83 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 116.87 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



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	As at 31-03-2006	As at 31-03-2005
guarantee of the Directors of the Company		
(v) Rs 634 94 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 and further secured by a building of the company		
(d) Loans from Financial Institutions of Rs1206.14 Lacs includes		
(I) Rs 791 64 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 414 50 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. 147.90 includes Rs 47 10 Lacs is secured by hypothecation of vehicles and Rs 20 11 Lacs being hire purchase loans taken for acquiring fixed assets of the company and Rs 16 69 Lacs has been secured by the Second Charge on the Plant & Machinery and Land measuring 77 24 acres of Company's Paper Division and balance of Rs64 00 Lacs being finance lease taken for acquiring computer of Contact Centre		
SCHEDULE - 4		
UNSECURED LOANS		
Short Term Loans		
- From Directors	34,507	11,129
- From Others	57,513	46,744
Other Loans		
- From Banks	-	22,527
TOTAL	92,020	80,400

Loan from banks of Rs Nil Previous year 225 27 Lacs is secured by the personal Guarantee of the Directors of the company

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS		As at 31-03-2006			As at 31-03-2005						
SCHEDULE - 5											
FIXED ASSETS											
		GROSS BLOCK			DEPRECIATION			NET BLOCK			
SL No	PARTICULARS	As on 01 04 2005	Additions	Sale / Deductions	As on 31 03 2006	As on 31 03 2005	For the year	For earlier years	As on 31 03 2006	As on 31 03 2006	As on 31 03 2005
1	Land	33 417			33 417				33 417		33 417
2	Buildings	426 190			426 190	83,972	16 387		100 359	325 831	342 218
3	Plant & Machinery	478 753	2 000		480 753	323 318	33 457		356 775	123 978	155 435
4	furniture & fixtures Other Office Equipments	249 242	805		250 047	146 536	24 568		171 104	78 943	102 707
5	Vehicles	101 679			101 679	79 191	5 691		84 882	16 797	22 487
	Sub total . .	1,289,281	2,805		1,292,086	633,017	80,103		713,120	578,966	656,264
6	Capital work-in-progress	239 842	23 637	32,707	230 772					230 772	239 843
	Grand total (i to vi)	1,529,123	26,442	32,707	1,522,858	633,017	80,103	-	713,120	809,738	896,107

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
Jupiter Breweries Limited	300	3	3
Pilsener Brewries Limited	100	2	2
Punjab Breweries Limited	250	3	3
Shaw Wallace and Co Ltd	500	2	2
UB Limited	20	-	-
Kingfisher Properties and Holding Ltd	5281	45	45
SUB TOTAL		67	67



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	As at 31-03-2006	As at 31-03-2005
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
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	76	-
Panchakala Malt Limited	100	1
State Bank of Travancore	280	168
Sub Total	672	672
Total.. { B }	739	739
MARKET VALUE OF QUOTED INVESTMENTS	4,039	2,576
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
UNQUOTED - PREFERENCE SHARES (FULLY PAID-UP)		
NON-TRADE INVESTMENTS - LONG TERM :		
Kirlosker Consultants Ltd (15% Redeemable Cumulative Preference Shares)	5000	500
Total.. { C }	1,242	1,242
INVESTMENTS IN FIRMS :		
Lakshmi Estate	621,193	621,757
Total.. { D }	621,193	621,757
TOTAL INVESTMENTS AT COST { A+B+C+D }	623,430	623,994

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	As at 31-03-2006	As at 31-03-2005
SCHEDULE - 7		
INVENTORIES: (As valued and certified by the Management)		
Stores, Spares and Fuel	4,951	4,674
Raw Materials & Goods Purchased for Resale	111,092	113,044
Semi-Finished Goods	320,795	325,391
Work - in - Progress	3,466	3,466
Finished Goods	105,778	45,950
Total..	546,082	492,525
SCHEDULE - 8		
SUNDRY DEBTORS: (Unsecured, Considered Good)		
Outstanding for more than Six Months	145,031	129,285
Other Debts	118,991	181,831
(Unsecured, Considered Doubtful)		
Outstanding for more than six months	928	928
LESS: Provision for Doubtful Debts	(928)	(928)
Total..	264,022	311,116
SCHEDULE - 9		
CASH AND BANK BALANCES:		
Cash on hand and in transit	12,513	11,365
Balances with Scheduled Banks		
- In Current Account	21,886	9,688
- In Fixed Deposit Accounts	13,927	8,795
Total..	48,326	29,848
SCHEDULE - 10		
OTHER CURRENT ASSETS:		
Interest Accrued on Fixed Deposits and Investments	516	465
Total..	516	465


SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	As at 31-03-2006	As at 31-03-2005
SCHEDULE - 11		
LOANS & ADVANCES :		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for which value to be received	475,682	595,952
Balance with Excise Authorities	8,650	10,395
Advance Income Tax (Net of Provision)	113	-
TOTAL	484,445	606,347
SCHEDULE - 12		
CURRENT LIABILITIES :		
Sundry Creditors		
- For Trade	102,495	110,844
- For Capital Goods	35,125	40,532
- For Expenses & Others	180,929	203,484
Advance from customers	40,567	17,695
Unclaimed dividends	248	248
Other liabilities	99,812	126,802
Trade Deposit Received	300,000	150,000
Interest accrued but not due	2,409	2,682
TOTAL	761,585	652,287
SCHEDULE - 13		
PROVISIONS :		
For Taxation (Net)	-	2,718
For Retirement Benefits etc ,	29,449	28,072
For Excise Duty	31,645	10,643
For Diminution in value of Investment	4	4
TOTAL	61,098	41,437

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	For the year ended 31-03-2006	For the year ended 31-03-2005
SCHEDULE - 14		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure	20,644	27,525
Less Transferred to Profit & Loss account	15,006	6,881
Total..	5,638	20,644
SCHEDULE - 15		
SALES		
Distillery - IML	1,183,608	1 085 057
Glass	91,148	113 822
Brewery	-	1,913
Others	234	19,720
Paper	-	499
Contact Centre	157,723	284,736
Foreign Exchange Fluctuation	-	2,447
Total..	1,432,713	1,508,194
SCHEDULE - 16		
OTHER INCOME		
Interest received (Gross)	782	3,715
(TDS Rs 124717 Previous Year Rs 738808)		
Dividend - Trade Investments	-	-
- Other Investments	89	31
Income from Services	3,194	3,632
Misc Income (Refer Note No 27)	52,674	6,340
Profit on Sale investment	-	5,538
Sundry Credit balance written back	99	-
Total..	56,838	19,256


SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	For the year ended 31-03-2006	For the year ended 31-03-2005
SCHEDULE - 17		
INCREASE/(DECREASE) IN STOCK		
CLOSING STOCK:		
Finished Goods	105,778	45,950
Semi-finished Goods	320,795	325,391
Work-in-progress	3,466	3,466
Total.. {A}	430,039	374,807
OPENING STOCK:		
Finished Goods	45,950	46,775
Semi-finished Goods	325,391	290,648
Work-in-progress	3,466	3,466
Total.. {B}	374,807	340,889
Increase / (Decrease) in Stock (A - B)	55,232	33,918
SCHEDULE - 18		
CONSUMPTION OF RAW MATERIALS & PURCHASE FOR RESALE		
OPENING STOCK		
Distillery	84,417	88,039
Goods Purchased for Resale	2,528	3,770
Glass	15,183	15,549
Brewery	1,082	10,094
Timber	2,749	2,749
Paper	6,698	7,667
Contact Centre	387	387
Total.. {A}	113,044	128,255
ADD: PURCHASES		
Distillery	288,274	277,745
Glass	95,805	81,619
Brewery	-	1,709
Total.. {B}	384,079	361,073

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	For the year ended 31-03-2006	For the year ended 31-03-2005
LESS: CLOSING STOCK		
Distillery	85,058	84,417
Glass	13,592	15,183
Brewery	1,082	1,082
Goods Purchased for Resale	1,526	2,528
Timber	2,749	2,749
Paper	6,698	6,698
Contact Centre	387	387
Total.. {C}	111,092	113,044
Consumption and purchase for resale (A+B-C)	386,031	376,284

SCHEDULE - 19

MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES :

Power, Fuel & Lighting Charges	63,648	67,194
Rent	11,121	13,673
Rates & Taxes	27,526	26,818
Insurance	4,172	4,373
Repairs & Maintenance		
- Electrical	912	1,218
- Plant & Machinery	3,855	3,840
- Buildings	1,614	648
- Vehicles	12,505	13,078
- Others	3,779	3,128
Freight, Octroi & Storage Exps	34,336	24,729
Excise Establishment Charges	923	1,714
Lease Rent	13,598	14,606
Travelling & Conveyance	31,168	35,802


SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	For the year ended 31-03-2005	For the year ended 31-03-2004
Printing & Stationery	2,680	3,532
Postage, Telephone & Telegram	22,474	39,663
Books & Periodicals	163	191
Security Service Charges	8,609	12,116
Legal & Professional Charges	21,043	19,446
Directors Sitting Fees	21	17
Auditors Remuneration		
- For Statutory Audit	300	300
Cost Audit Fees	43	16
Donation	84	583
Commission & Discount on Sales	15,190	26,437
Sales Promotion	9,144	7,929
Advertisement	1,951	3,686
Service Charges	70,505	669
Miscellaneous Expenses	5,373	11,019
Share of Loss in Partnership Firm	564	133
Exchange Variation	1,208	116
Diminution in value of investment	-	4
Deferred revenue expenses written off	15,006	6,881
Total..	383,515	343,559

SCHEDULE - 20**PERSONNEL EXPENSES**

Salaries, Wages, Gratuity, Bonus and leave encashment	128,017	178,407
Staff Welfare Expenses	11,183	12,756
Contribution to PF and Other Funds	7,100	10,222
Total..	146,300	201,385

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	For the year ended 31-03-2006	For the year ended 31-03-2005
SCHEDULE - 21		
INTEREST & BANK CHARGES :		
INTEREST		
On Debentures	947	10,541
On Term Loan	41,576	55,003
On Others	101,367	109,977
BANK CHARGES	2,654	5,467
TOTAL	146,544	180,988
SCHEDULE - 22		
DEPRECIATION :		
For the year	80,103	87,336
Less: Transferred from Revaluation Reserve A/c	27,353	27,353
TOTAL	52,750	59,983



Schedule forming part of Balance Sheet and Profit and Loss Account
Significant Accounting policies & Notes on Accounts

PARTICULARS

1. Significant Accounting Policies

(a) AS-1: 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) AS-2: Inventories

Inventories are valued as under:

- (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 is valued at estimated net realizable 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 Realizable Value
 - (b) Stocks of Traded Goods are valued at lower of cost or Realizable 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 which has been considered for valuation of semi-finished goods wherever applicable, and appropriate overheads based on normal level of activity.

(d) AS-3: Cash Flow Statements

Cash Flow Statement has been prepared under "Indirect Method", Cash and Cash Equivalents comprise Cash in Hand, current and other accounts (Including Fixed Deposit) held with bank.

(e) AS- 4: Event occurring after the Balance Sheet Date

- i Asset and Liabilities are adjusted for events occurring after the balance sheet date that provide additional evidence to assist the estimation of amounts related to conditions existing at the balance sheet date
- ii Dividends, which are proposed/ declared by the Company after the Balance Sheet date but before the approval of the Final Statements, are adjusted

(f) AS-5: Net Profit or Loss for the period, prior period items and Changes in Accounting Policies

- i Net Profit for the period
All the items of income and expenses in the period are included in the determination of net profit for the period, unless specifically mentioned elsewhere in the financial statements or is required by an Accounting Standard
- ii Prior Period item
Income / Expenditure are disclosed in Prior Year Adjustments only when the value exceeds Rupees One Lakh in each case

KHODAY INDIA LIMITED

SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

PARTICULARS

- iii Extra Ordinary items

Extraordinary items are accounted in accordance with Accounting Standard - 5

(g) AS- 6: Depreciation Accounting

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, Plant & Machinery costing Rs 5,000/- and below are depreciated in full.

The depreciation charged to 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.

(h) AS-9 : 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 from Software Development is recognised based on terms of specific contract.

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

(i) AS- 10: Accounting for Fixed Assets

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.

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.

(j) AS- 11: Accounting for Effect in Foreign Exchange Rates

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 utilized for acquisition of Fixed Assets adjusted to cost of related Fixed Assets.

(k) AS-13: Accounting for Investments

- i. Long term investments are valued at cost. Provision, if any, is made to recognize a decline other than a temporary decline, in the value of long-term investments.



SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account
Significant Accounting policies & Notes on Accounts

PARTICULARS

ii Current Investments are stated at lower of cost and fair market value

(l) AS-15: Accounting for 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

(m) AS-16: 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.

(n) AS- 17: Segment Reporting

The company's has considered business segment as reporting segment and accordingly identified liquor Glass and Contact centre are classified as reporting business segment. Secondary segmental reporting is performed on the basis of the geographical location of the customers. Accordingly segmental revenue is reported as revenue from India and Outside India.

(o) AS-18: Related Party Transactions

In pursuance of the disclosure issued by the Institute of Chartered Accounts of India, the name of the related party has been classified as Associates, Key Management Personnel, Relatives of Key Management Personal and Significant Influence.

(p) AS-19: Lease

- (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

(q) AS-20: Earning per Share

- i Basic earning per share has been computed with reference to Weighted Average number of Shares based on monthly rests
- ii Diluted Earnings per shares has been computed based on the fully paid-up value of the shares issued

(r) AS-22: Accounting for Taxes on Income

Provision for taxation includes current tax and deferred tax

- (i) Provision for current tax is made based on the tax liability computed after considering tax allowances and exemptions

KHODAY INDIA LIMITED

SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

PARTICULARS

- (ii) Deferred tax liability is recognized for timing differences between the profit as per financial statements and profit offered for income tax purposes, using current tax rates
 - (iii) Deferred tax assets are recognized on brought forward business losses and unabsorbed depreciation only to the extent that there is virtual certainty supported by convincing evidence and to the extent that there is reasonable certainty of their realization
 - (iv) Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted at the balance sheet date
- (s) AS-26: Intangible Assets**
- Deferred Revenue expenditure incurred up to 31st march 2003 is being written off over a period of its benefit. Similar expenditure incurred on or after 1st April 2003 can no longer be considered as an intangible asset, following the definition contained in Accounting Standard -26 on "Intangible Assets" issued by Institute of Chartered Accountant of India and is being written off as current expenses. Deferred Revenue Expenses incurred up to 31st March 2003 shall continue to be amortized over a period of five years
- (t) AS-28: Impairment of Asset**
- An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment Loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount
- (u) AS-29: Provision, Contingent Liabilities and Contingent Assets**
- i A present obligation, which could be reliably estimated, is provided for in the accounts, if it is probable that an outflow of resources embodying economic benefits will be required for its settlement
 - ii All the liabilities have been provided for in the accounts except liabilities of a contingent nature, which have been disclosed at their estimated value by way of notes in the Balance Sheet
 - iii Contingent Assets are neither recognised nor disclosed
- (v) Sundry Debtors / Loans and Advances**
- Sundry Debtors and Loans and Advances are stated after making adequate provisions for doubtful balances
- (w) Expenditure**
- Expenses are accounted on accrual basis and provision is made for all known losses and liabilities
- (x) 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
- (y) Excise Duty**
- Excise duties recovered are included in the sale of products. Excise duty paid on dispatches 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

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SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS	2005 - 2006	2004 - 2005
2. Earnings Per Share		
Profit after Taxation as per Profit and [Loss] Account	(1,39,165)	(48,582)
Total Number of Shares (A)	3,75,91,237	3,75,91,237
Earnings per Share – Basic (in Rs) [PAT/(A)]	(3.70)	(1 29)
Earnings per Share – Diluted (in Rs) [PAT/(A)]	(3.70)	(1 29)
Face Value per Share (in Rs)	10.00	10 00
3. Leases		
The Company has taken certain assets on operating lease and certain assets on Finance Lease The amount of further minimal lease payments are stated below		
Operating Lease		
Less than 1 year	3,150	3,150
Later than 1 year & not later than 5 years	Nil	Nil
Later than 5 years	Nil	Nil
Finance Lease		
Less than 1 year	65,36	65,36
Later than 1 year & not later than 5 years	Nil	28,14
Later than 5 years	Nil	Nil
4. Deferred Tax - Net		
Deferred Tax Liabilities:		
On depreciation Differences	3,087	6,031
On deferred Revenue Expenditure	1,897	6 949
On others	2,837	4,235
TOTAL [A]	7,821	17,215
Deferred Tax Assets:		
On provision for Entry Tax / Sales Tax	803	1,239
On Employees Benefits	14,094	13,145
On unabsorbed tax losses and depreciation	49,234	25,801
On others	13,629	693
TOTAL [B]	77,760	40,878
Net Deferred Tax Liabilities / [Assets] [A] - [B]	*(69,939)	*(23,663)

* To comply with the Accounting Standard -22 "Accounting for Taxes on Income" the company reviewed the deferred tax assets and liabilities. The timing difference relates mainly to depreciation and carry forward losses for the period up to 31st March 2006 resulting in a net deferred tax asset. As a prudence measure, this net deferred tax asset has not been recognized in the books of accounts.

KHODAY INDIA LIMITED

SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS

5. Segment Reporting

The Company has Considered Business Segment as reporting segment and accordingly identified Liquor, Glass, and Contact 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 supplied to Glass, Glass supplied to Liquor are based on market price

BUSINESS SEGMENT

[A] PRIMARY INFORMATION

[Rupees in Thousands]

PARTICULARS	2005 - 2006			2004 - 2005		
	SALES			SALES		
	External	Inter-Segment	TOTAL	External	Inter-Segment	TOTAL
SEGMENT REVENUE						
Liquor	11,83,608	--	11,83,608	10,86,970		10,86,970
Glass	20,648	70,500	91,148	49,773	64,049	1,13,822
Contact centre	1,57,723	--	1,57,723	2,87,183		2,87,183
Others	2,34	--	2,34	20,219		20,219
TOTAL	13,68,664	64,049	14,32,713	14,44,145	64,049	15,08,194
SEGMENT RESULTS						
Liquor			(40,239)			(34,425)
Glass			(61,375)			(50,286)
Contact centre			(30,815)			27,959
Others			(4,563)			(7,526)
TOTAL			(1,36,992)			(64,278)
Unallocated Expenses			(929)			(467)
Operating profit			(1,37,921)			(64,745)



SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS	2005 - 2006	2004 - 2005
PRIMARY INFORMATION (Continued...)		
INTEREST INCOME		
Liquor	768	3 659
Glass	12	-
Contact centre	2	55
Others	-	2
TOTAL	782	3,716
PROFIT ON SALE OF INVESTMENT		
Liquor	-	5,569
TOTAL	-	5,569
INCOME TAX		
Current Tax	-	-
Deferred Tax	-	6,878
Fringe Benefit Tax	(2,026)	-
TOTAL	(2,026)	6,878
PROFIT AFTER TAX / (LOSS)	(139,165)	(48,582)

[B] OTHER INFORMATION

	Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities
SEGMENTS				
Liquor	11,25,645	14,33,916	11,54,079	14,32,723
Glass	80,295	68,880	3,52,031	69,873
Contact centre	3,90,385	1,49,081	4,28,517	1,79,458
Others	64,070	21,682	67,175	21,800
TOTAL	16,60,395	16,73,559	20,01,802	17,03,854

KHODAY INDIA LIMITED

SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS	2005 - 2006		2004 - 2005	
	Capital Expenditure	Depreciation	Capital Expenditure	Depreciation
SEGMENTS				
Liquor	878	15,550	3,196	20,470
Glass	1,500	7,378	604	8,950
Contact centre	427	28,378	1,00,944	29,114
Others	–	1,444	–	1,449
TOTAL	2,805	52,750	1,04,744	59,983
Total Assets Exclude				
INVESTMENTS				
Liquor		6,23,409		6,23,974
Others		21		21
TOTAL		6,23,430		6,23,995
FIXED DEPOSITS WITH BANK				
Liquor		13,004		8,990
Glass		600		32
Contact centre		155		55
Others		168		175
TOTAL		13,927		9,252
OTHER LOANS & ADVANCES				
Liquor		4,84,445		6,06,402
TOTAL		4,84,445		6,06,402



SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS	2005 - 2006	2004	2005
Total Liability Excludes			
Provision For Taxation	-		2 718
TOTAL	-		2,718

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 11.00% of the total segmental revenue.

(Rupees in Thousands)

Segment Revenue		
India	12,74,990	12,21,011
Outside India	1,57,723	2,87,183
TOTAL	14,32,713	15,08,194
Segment Assets		
India	16,60,395	17,09,898
Outside India	-	-
TOTAL	16,60,395	17,09,898
Capital Expenditure		
India	2,805	1,04,744
Outside India	-	-
TOTAL	2,805	1,04,744

KHODAY INDIA LIMITED

SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account Significant Accounting policies & Notes on Accounts

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
Blend well 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's Technologies Limited
L K Power Corporation Limited
Khoday Properties Private Limited
L K Trust
Narmada Distilleries Private Limited
North India Distilleries Private Limited
Ramda Pubs
Ram Mohan & Company Pvt Limited
Solar Cells Private Limited



SCHEDULE - 23

**Schedule forming part of Balance Sheet and Profit and Loss Account
Significant Accounting policies & Notes on Accounts**

PARTICULARS

Soverign 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 Ramachandra (HUF)
Sri K L Srihari (HUF)
Sri K L A Padmanabhasa(HUF)
Sri K L Swamy(HUF)
Sri K H Gurunath
Sri K L Narayansa
Sri K R Nithyanand
Sri K R Dayanand
Sri K H Radheshyam
Sri K H Srinivas
Sri K P Ganashyam
Sri K S Brijmohan
Sri K S Girdhar
Smt Rajalakshmi Srihari
Smt Gulab P Khoday
Smt Lalitha Swamy Khoday
Smt Padma N Khoday

KHODAY INDIA LIMITED

SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

PARTICULARS

(d) Significant Influence

Bangalore Leather Garments
Bangalore Personal Care
Elkay Farm
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



SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

The following Transactions were carried out with the Related Parties during the year :

[Rupees in Thousands]

PARTICULARS	For the Year 2005 - 2006				For the Year 2004 - 2005			
	Associates	Key Management Personnel	Relatives of Key Managerial Personnel	Significant Influence	Associates	Key Management Personnel	Relatives of Key Managerial Personnel	Significant Influence
Profit & Loss Account Heads								
(a) Incomes								
1 Sale of Goods/Services	8,831			2,436	18,788	-	-	1,419
2 License Agreement - Royalty					101	8		
(b) Expenses:								
1 Purchase of Goods/ Services	29,190			3	25,610			
2 Remuneration					-			
3 Rent		360	720		-		1,080	
4 Interest Paid			3,751	3,573	-		3,443	3,585
5 Leasing Arrangements	9,942			5,000	10,918			5,000
Balance Sheet Heads:								
Investment in Partnership								
1 Firms	-	-		621,193				621,757
Balance Outstanding (Net) as at 31st March 2006	2911 (Cr)	34507 (Cr)	51689 (Cr)	324039 (Dr)	143632 (Dr)	11,129 (Cr)	38,514 (Cr)	343,960 (Dr)
Others:								
1 Guarantee & Collateral obtained from *	316,877				460,955	-	-	

* Includes personal guarantee obtained from significant influence and Key Managerial personnel and their relatives

KHODAY INDIA LIMITED

SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

Sl.No	PARTICULARS	2005 - 2006	2004 - 2005
7. Contingent Liabilities			
1	Claims against the company not acknowledged as debts	2,14,676	11 324
2.	(i) Disputed Sales Tax not provided	25,360	33 503
	(ii) Disputed Income Tax not provided	6106	43,368
3.	Guarantees/Counter-guarantees given to Bank/ Financial Institutions / Government Departments	13000	16,900
8. Capital Commitments			
	Estimated Value of contracts remaining to be executed on Capital Account to the extent not provided in the accounts	-	-
9	Confirmation of balances and statement of accounts for Non-Convertible Debenture, Secured loans from financial institutions, sundry debtors, sundry creditors, advance received and loans and advances are awaited Balances in the accounts of Non- Convertible Debenture, Secured loans from financial institutions, sundry debtors, sundry 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 Kanakapura Trading & Investment Pvt Ltd Ram Mohan & Co Private Limited (Maximum Amount Outstanding at any time during the year is 4542 previous year Rs 4542 Thousands)	- - -	1 4,541
2	Due from Firms in which any Director is a partner	-	1,01 66
11. Sundry Debtors include:			
1	Due from companies under the same management Khoday Hotels private Limited North India Distilleries Private Limited Tiger Breweries Limited (Maximum amount outstanding at any time during the year 668 Previous year Rs 668 Thousands)	- - -	96 547 25
2	Due from private companies in which any Director is a director or a member		8,915
3	Due from Firms in which any Director is a partner	-	4,984



SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS	2005-2006		2004-2005		
12. Sales Turnover:					
	Unit	Qty	Value	Qty	Value
Distillery – IML	B L	31,48,676 880	6,19,788	33 05,146 035	5,94,385
Brewery – BEER	B.L	-	-	1100509.28	1913
Glass	MT	7224.00	91,148	9066 74	1,13,822
Paper	M.T	-	-	25.24	499
RCA - IML	B.L	30,10,942.08	5,63,820	27,02,500.50	4,90,672
Others			234		19,720
Total Sales			12,74,990		12,21,011
Less Excise Duty			5,66,782		4,54,629
Net Sales			7,08,208		7,66,382
Service Income	-	-	1,57,723	-	2,87,183
Total Income	-		8,65,931		10,53,565

13. Particulars of Materials Consumed:

(a) Distillery

Barley Malt	Kgs	11,22,825	20,699	10,17,678 90	16641
Rectified Spirit	Lts	26,11,090	53,966	31 57,659 00	57962
Empty Glass Bottles	Nos	61,82,707	34,528	61,98,332 00	35117
Cartons	Nos	23,18,654	30,032	51,58,313	32433
Others			26,767	-	25835
			1,65,992		1,67,988

(b) Glass

Soda Ash	MT	892.07	13,786	940 916	10,226
Cullets	MT	5,822.82	13,315	5421 606	12,560
Silica/Quartz Sand	MT	2,650.05	2,944	3232 860	3,193
Others			67,351		56,006
			97,396		81,985

(c) Brewery

Malt	Kgs	-	-	66,165	918
Hops/Hops Pellets	Kgs	-	-	169	55
Sugar	Kgs	-	-	3,600	58
Empty Glass Bottles	Nos	-	-	3,90,232	1,366
Cartons	Nos	-	-	1,62,616	1,151
Others			-		7,173
			-		10,721

KHODAY INDIA LIMITED

SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS		2005-2006		2004-2005	
	Unit	Qty	Value	Qty	Value
(d) Paper					
Waste Paper	M.T	-	-	-	-
Others			-		970
					970
(e) R C A					
Rectified Spirit	Lts	15,21,895	47,976	14,72,950	50 150
Empty Glass Bottles	Nos	1,39,79,620	36,808	1,28,08,328	32,583
Cartons	Nos	3,46,511	7226	3,18,354	6 165
Others			29,630		24 480
			1,21,640		1,13 378
14. Purchase of goods for Resale:					
Distillery – IML	B L	2878 500	1,003	3211 500	1 242
Total Consumption & Purchase for Resale			3,86,031		3,76 284
15. Inventory – Finished Goods:					
Opening Stock					
Distillery – IML	B L	2,35,335 870	25,184	2,66,601 755	31 480
Brewery – BEER	B L	-	-	42,075 440	1 075
Glass	M.T	894 509	12145	895 065	11,218
Paper	M.T	28 0766	881	53 32	1 284
RCA – IML	B L	72,918	7,042	27,569 500	1 020
Contact centre			698		698
			45,950		46 775
Closing Stock					
Distillery – IML	B L	3,80,331 28	54771	2,35,335 870	25 184
Glass	M.T	2236 659	38,298	894 509	12 145
Paper	M.T	28 0766	881	28 0766	881
RCA – IML	B L	68,355 720	11,130	72,918	7 042
Contact centre			698		698
			1,05,778		45,950

**SCHEDULE - 23**

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS	2005-2006	2004-2005
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
Contact Centre	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
Contact Centre	N.A.	N A

17. Production:

PARTICULARS	UNIT	QUANTITY	QUANTITY
Distillery	B.L	32,98,119 24	32,76,633 7
Less: Breakages	B.L	(4,446 950)	(5,965 130)
Brewery	B.L	-	10,58,432 760
Glass	M.T	8566.151	9,066 188
Paper	MT	-	-
R C A – IML	B.L	30,06,379.80	27,47,849 400

KHODAY INDIA LIMITED

SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS	2005-2006		2004-2005	
18. CIF Value of Imports:	Value		Value	
Raw Materials	4,124		9 190	
Capital Goods	-		1 241	
19. Consumption of Imported and Indigenous Materials & Components:				
Imported	0 10%	3,774	2 44%	9190
Indigenous	99 90%	3,82,257	97 56%	367094
20. Expenditure in Foreign Currency				
For Travel		4384		1,242
Communication charges		7552		13,270
Others		-		56
21. Earnings in Foreign Currency				
FOB Value of Exports		157723		2,85,804
Reimbursement of Expenses		-		136
22. Payments made or provided for Directors				
Directors' sitting fees		21		17
Managerial Remuneration		*		*
* Remuneration to managerial personal has not been provided				
23. Investment in firms : Lakshmi Estate				
Name of the Partners	Total Capital	Share of Partners	Total Capital	Share of Partners
Khoday India Limited	621193	75 00%	621757	75 00%
K L Srihari – HUF	50991	6 25%	51039	6 25%
K L Swamy – HUF	50991	6 25%	51038	6 25%
K L Ramachandra – HUF	50991	6 25%	5,1038	6 25%
K L A Padmanabhasa – HUF	50991	6 25%	5,1038	6 25%
TOTAL	825158	100.00%	825910	100 00%



SCHEDULE - 23

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

- 24 Deferred Revenue expenses written off includes a sum of Rs 8125 thousand being additional amount written off during the year, representing staff training expenses incurred for the staff of contact centre, as most of the staff had left the services in the contact centre
- 25 Loans and Advances include Rs 35,33,85 thousands towards Lease Deposit given to firms / Trust in which some of the Directors are Partners / Trustees
- 26 During the year, the company had entered into a Marketing, Selling and Distribution Agreement with Bagga Millennium Liquors India Private Limited (BML) to deal with the products of the company for a period of nine years. The said arrangement was terminated in April 2006 consequent to the differences between parties that arose in the terms and conditions of the above agreement. There are certain claims and counter claims by BML and the company which are not accepted by the parties. The balances with the said company are in the process of reconciliation and negotiation. The claims from BML not accepted by the company are shown under contingent liability. The same will be accounted as and when the dispute is settled.
- 27 Miscellaneous Income includes an amount of Rs 45,000 thousand being further consideration received in pursuance to a settlement of an outstanding issue pertaining to a MOU entered in October 1998 for sale of share of Shree Mahadeshwara Sugar Mills Limited
- 28 Provision for Gratuity has been made in the accounts in accordance with the Provisions of Gratuity Act 1972 wherein the gratuity has been calculated on the basis of 15days salary of each completed year of service for eligible employees. Company is taking steps to get the gratuity valued on actuarial basis
- 29 Building under Fixed Assets includes a building having WDV of Rs 16363 thousand owned by the company where, the title is under dispute. The case is pending before the Debt Recovery Tribunal. Pending disposal of this case, the company continues to show the Building under the Fixed Asset
- 30 Fixed Deposit Receipts for Rs 10,426 thousands have been lodged with the Banks towards margin money for guarantee
- 31 As information relating to small-scale units having business relations with the company is not readily available, hence such information is not furnished
- 32 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
- 33 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
S. SUKUMAR
Chartered Accountant
Membership No.19882

Place Bangalore
Date 06-09-2006

KHODAY INDIA LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

[Rupees in Thousands]

PARTICULARS	2005-2006	2004-2005
A. Cash flow from Operating Activities		
Net Profit/(Loss) before Tax	(137,139)	(55,460)
Adjustments for :		
Depreciation	52,750	59,983
Profit on Sale of Investments	-	(5,538)
Interest Income	(782)	(3,716)
Dividend Income	(89)	(31)
Interest & Bank Charges	146,544	180,988
Deffered Revenue Expenditure Written off	15,006	6,881
Sundry credit balances written back	(99)	-
Diminution in value of Investment	-	4
Loss from Lakshmi Estate (Partnership Firm)	564	133
Operating Profit before Working Capital Changes	76,754	183,244
Adjustments for:		
(Increase)/Decrease in Sundry Debtors	47,094	102,111
(Increase)/Decrease in Inventories	(53,557)	(18,550)
(Increase)/Decrease in Loans & Advances	122,015	77,696
(Increase)/Decrease in Other Current Assets	(51)	114
Increase/(Decrease) in Other Current Liabilities	131,776	102,112
Cash Generated from Operating Activities	324,032	446,728
Direct Taxes Paid	(2,827)	(1,167)
Fringe Benefit Tax paid	(1,041)	-
Prior Year Adjustments	-	(550)
Net Cash from/(Used in) Operating Activities	320,164	445,011
B. Cash flow from Investing Activities		
Purchase of Fixed Assests	6,265	(27,900)
Sale of Investments	-	7,250
Interest Income	782	3,716
Dividend Income	89	31
Net Cash from / (Used in) Investing Activities	7,136	(16,903)



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

[Rupees in Thousands]

PARTICULARS	2005-2006	2004-2005
C Cash flow from Financial Activities		
Proceeds from Long Term Borrowings	-	-
Repayment of Long Term Borrowings	(162,278)	(271,282)
Dividend Payment relating to earlier years	-	(1)
Interest & Bank Charges	(146,544)	(180,988)
Net Cash flow from/(Used in) Financing Activities	(308,822)	(452,271)
Net Cash Flows during the year {A+B+C}	18,478	(24,163)
Cash & Cash Equivalents(Opening Balance)	29,848	54,011
Cash & Cash Equivalents (Closing Balance)	48,326	29,848

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

3	1
---	---

0	3
---	---

2	0	0	6
---	---	---	---

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

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

Total Assets

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

A. Sources of Funds

Paid-up Capital

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

Reserves & Surplus

	7	3	2	7	2	7
--	---	---	---	---	---	---

Secured Loans

	7	5	8	8	5	5
--	---	---	---	---	---	---

Unsecured Loans

		9	2	0	2	0
--	--	---	---	---	---	---

Deferred Tax

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

B. Application of Funds

Net fixed Assets

	5	7	8	9	6	6
--	---	---	---	---	---	---

Capital Work In Progress

	2	3	0	7	7	2
--	---	---	---	---	---	---

Investments

	6	2	3	4	3	0
--	---	---	---	---	---	---

Net Current Assets

	5	2	0	7	0	8
--	---	---	---	---	---	---

Miscellaneous Expenditure

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

Accumulated Losses

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



IV PERFORMANCE OF THE COMPANY (Amount in Rs Thousands)

Turnover

1	4	3	2	7	1	3
---	---	---	---	---	---	---

Loss Before Tax

1	3	7	1	3	9
---	---	---	---	---	---

Earning Per Share (Rs Ps)
(Basic)

			(3	7	0)
--	--	--	----	---	----

Earning Per Share (Rs Ps)
(Diluted)

			(3	7	0)
--	--	--	----	---	----

Total Expenditure

	1	1	5	1	4	0
--	---	---	---	---	---	---

Loss After Tax

	1	3	9	1	6	5
--	---	---	---	---	---	---

Dividend Rate %

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

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES

Product Discription

Item code No (ITC Code)

IML

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 06-09-2006

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

**Fourth
Annual General Meeting**
29th Sept 2006 at 12 30 p m

Vaishnavi Kalyana Mantapa
Kanakapura Road
Bangalore - 560 078

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 Annual General Meeting of the Company to be held at
Vaishnavi Kalyana Mantapa Kanakapura Road Bangalore 560 078 on Friday the 29th Sept 2006
at 12-30 p m and at any adjournment thereof

Date

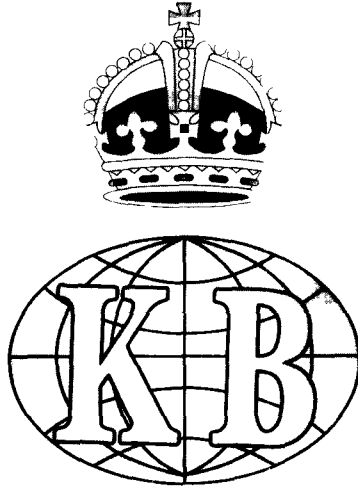
Affix Re 1-00
Revenue Stamp

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

Book Post



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