

*Forty First
Annual Report
2006 - 2007*



KHODAY INDIA LIMITED



BOARD OF DIRECTORS

CHAIRMAN	Sri K.L. RAMACHANDRA
VICE CHAIRMAN & MANAGING DIRECTOR	Sri K.L. SRIHARI
JOINT MANAGING DIRECTOR	Sri K.L.A. PADMANABHASA
EXECUTIVE DIRECTOR	Sri K.L. SWAMY
DIRECTOR	Prof. L.R. VAGALE
DIRECTOR	Major Gen. (Retd.) M.K. PAUL
DIRECTOR	Sri D.V. TIKEKAR
GROUP PRESIDENT	Sri P.R. ANANDA MURTHY
COMPANY SECRETARY	Sri M.S. MAYYA
AUDITOR	Sri S. SUKUMAR Chartered Accountant Bangalore
BANKERS	Canara Bank Corporation Bank Punjab National Bank UCO Bank Industrial Development Bank of India Dhanalakshmi Bank
REGISTERED OFFICE	No. 54, Kannayakana Agrahara Anjanapura Post, Bangalore - 560 062
ADMINISTRATIVE OFFICE	"Brewery House" 7th Mile, Kanakapura Road Bangalore - 560 062 Ph : 080-22956569



NOTICE

Notice is hereby given that the FORTY FIRST Annual General Meeting of KHODAY INDIA LIMITED, will be held on Monday, the 17th December 2007 at 12.00 Noon at Shravanti Kalyana Mantapa, Opp.Adiga's Hotel, Kanakapura Main Road, Bangalore-560 078, to transact the following business:

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31-3-2007 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
- 2) To declare a dividend.
- 3) To appoint a Director in the place of Prof.L.R.Vagale who retires by rotation and being eligible, has offered to be re-appointed.
- 4) To appoint M/s.Rangaraju and Associates, Chartered Accountants, Bangalore as Statutory Auditors to hold office from the conclusion of this Annual General Meeting up to the next Annual General Meeting at a remuneration to be decided by the Board of Directors, in place of Mr.S.Sukumar, Chartered Accountant who has expressed his unwillingness to be re-appointed.

SPECIAL BUSINESS:

5) ORDINARY RESOLUTION:

Appointment of Director :

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

"RESOLVED that Sri.D.V.Tikekar, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation."

6) ORDINARY RESOLUTION:

Increase in Authorised Share Capital:

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

"RESOLVED that in accordance with the provisions of Section 94 (1)(a) and other applicable provisions if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and the same is hereby increased from the existing Rs.45,00,00,000/- (Rupees Forty Five Crores only) divided into 4,50,00,000 Equity Shares of Rs.10/- each to Rs.100,00,00,000/- (Rupees One Hundred Crores only) divided into 10,00,00,000 Equity Shares of Rs.10/- each ranking pari-pasu with the existing shares.

7) SPECIAL RESOLUTION:

Alteration of Memorandum :

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

"RESOLVED that pursuant to the provisions of Section 16 and other applicable provisions if any, of the Companies act, 1956, or the re-enactment thereof for the time being in force, the Memorandum of Association of the company be and the same is hereby altered in the following manner :-

By deleting the existing Clause V and by substituting the following new Clause V:

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- V. The Share Capital is Rs.100,00,00,000/- (Rupees One Hundred Crores only) divided into 10,00,00,000 (Ten Crores) Equity Shares of Rs.10/- each with power for the company to increase or reduce or divide the shares in the Capital for the time being into several classes and attach thereto respectively such preferential Shares or other rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 and provided by the Articles of Association of the time being.

8) SPECIAL RESOLUTION:

Alteration of Article:

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

“RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions if any, of the Companies act, 1956, or the re-enactment thereof for the time being in force the Article 3 of the Articles of Association of the company be and the same is hereby altered in the following manner :-

By deleting the existing Article 3 and substituting the following new Article 3 :

3. The Share Capital is Rs.100,00,00,000/- (Rupees One Hundred Crores only) divided into 10,00,00,000 (Ten Crores) Equity Shares of Rs.10/- each.

9) SPECIAL RESOLUTION:

ISSUE OF FRESH SECURITIES:

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

“RESOLVED that subject to the Directions and Guidelines of the Government of India for Issue of Foreign Currency Bonds and other Securities and the provisions of all applicable regulations including Section 81 and other applicable provisions if any, of the Companies act, 1956 or the re-enactment thereof for the time being in force, the Issue of Foreign currency Convertible Bonds and Ordinary Shares (“Through Depository Receipt Mechanism) Scheme 1995, the Foreign Exchange Management Act, 1995, the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Out side India), Regulations 2000 (including any Statutory modifications or any re-enactment thereof for the time being in force) and any other applicable provisions, schemes, rules and regulations, guidelines, notifications and circulars issued by the Reserve Bank of India or any other Authority and rules applicable from time to time as also in accordance with the provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company between the Stock Exchanges where the Shares of the Company are listed and subject to the necessary consents / approvals, permissions and sanctions or concerned Government/ Statutory or other Regulatory Authorities and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the ‘Board’, which term shall include any Committee thereof) the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot either India or in the course of International offering(s) in one or more Foreign markets, such number of Global Depository Receipts (GDRs), American Depository Receipt (ADRs), Foreign Currency Convertible Bonds (FCCBs) and / or Preference shares (Cumulative/ Redeemable/ Convertible) and/or Equity Shares (through Depository Receipt Mechanism) and /or any other Financial Instruments convertible into Equity Shares or otherwise, in Registered or Bearer Form and /or Securities with or without detachable Warrants which right excisable by the Warrant holders to convert or subscribe to Equity Shares



(hereinafter collectively referred to as "Securities") or combination of Securities in one or more tranches, whether Rupee denominated or denominated in Foreign Currency to any person (other than the Promoters of the Company and their relatives) including Foreign / Resident Investors (whether Institutions, Incorporated Bodies, Mutual Funds, Individuals or otherwise), Foreign Institutional Investors, Indian and /or Multilateral Financial Institutions, Mutual Funds, Banks, Insurance Companies, Pensions Funds, Non-resident Indians and /or any other categories of Investors (other than the promoters of the company and their relatives), whether they be holders of shares of the Company or not (collectively called the "Investors") through Public Issue(s) of prospectus, private placement memorandum and/or any other offering memorandum, private placements or combination thereof at such time to times, at such price or prices, at a premium to market price or prices in such manner and on such terms and conditions including security, rate of interest etc., as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of Investors to whom the offer, issue and allotment of the securities shall be made to the exclusion of all other category of investors at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with the Lead Managers, upto an amount not exceeding Rs.62 Crores /US\$ 15.5 Million (approx.) / Euro 10.3 Million (approx.) or its equivalent in any other Foreign currency including Green Shoe option, if any, for such amount within the aforesaid amount as determined by the Board inclusive of such premium as the Board has its absolute discretion may deem fit upon such terms and conditions as may be decided by the Board from time to time in the interest of the company.

RESOLVED FURTHER that without prejudices to the generality of the Board the aforesaid securities may have such features and attributes or any terms or combination of terms in accordance with International practice and to provide for the tradability or pre-transferability thereon as per the prevailing practices and regulations in the capital market including but not limited to terms and conditions in relation to payment of interest, additional interest, premium on redemption, pre-payment and any other debt service payments whatsoever including terms for issue of additional Securities and the Board be and is hereby authorized at its absolute discretion in such manner as it may deem fit, to dispose off such of the Securities as are not subscribed.

RESOLVED FURTHER that the Board be and is hereby authorized to issue and allot such number for Equity Shares as may be required to be issued and allotted upon conversion of redemption or cancellation of any securities or as may be necessary in accordance with the terms of offering, all such Shares ranking paripassu with the existing Equity Shares of the Company in all respect.

RESOLVED FURTHER that i) the securities so offered, issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and ii) and that the Board be and is hereby authorized to fix the relevant date for determination of the applicable price.

RESOLVED FURTHER that the Board be and is hereby authorized to appoint Lead Managers, Underwriters, Guarantors, Depositors, Custodians, Registrars, Trustees, Bankers, Advisors (Legal, Financial or otherwise) and all such agencies as may be involved or concerned in such offerings of such Securities and to remunerate them by way of Commission, Brokerage, Fees or the like and also to enter into and execute all such arrangements, agreements, memoranda, documents etc., with such agencies and to seek the Listing of such Securities on one of the National and /or International Stock Exchange(s) as decided by the Board of Directors.

RESOLVED FURTHER that such other Securities and /or Securities representing the same and/or Equity Shares to be issued, that are not subscribed to, may be disposed off by the Board to such persons and in such manner and on such terms as the Board /Committee may its absolute discretion may think fit as permissible under applicable Law.

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RESOLVED FURTHER that for the purpose of giving effect to any issue or allotment of Securities and/or securities representing the same and/or Equity Shares, as described herein above, the Board, be and is hereby authorized, on behalf of the Company, to do all such acts, deeds, matters and things at its discretion deemed necessary or desirable for such purpose, including without limitation, the utilization of the issue proceeds entering into underwriting, indemnification, escrow , marketing and depository arrangements in connection with the issue of Securities and with power on behalf of the company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.

RESOLVED FURTHER for the purpose of giving effect to any issue or allotment or Security and/ or securities representing the same and/or Equity Shares, as described hereinabove, the Board be and is hereby authorized on behalf of the company to authorize any person or persons to jointly or singly negotiate, finalise, issue, execute, sign and /or deliver any and all documents, agreements, writings, issue receipts, certificates and undertakings and execute /sign/deliver any other instruments/letters/undertakings/receipts/writings in issue or allotment of Securities and/or securities representing the same and /or Equity Shares as described hereinabove (whether pre or post the issue).

RESOLVED FURTHER that subject to the above the Board be and is hereby authorized do all acts, deeds, matters and things and to settle any questions or difficulties that may arise in regard to the issue(s) made in terms hereof without being required to seek any further consent or approval of the Members or otherwise to the end or intent that the Members shall be deemed to have given their approval thereto expressly or by the authority of this resolution.

RESOLVED FURTHER that for the purpose of giving effect to the above resolution the Board be and is hereby authorized and empowered to delegate all or any of the powers herein conferred to any Committee of the Directors and/or any Whole-time Director(s) and /or any Officer(s) of the Company.

10) SPECIAL RESOLUTION:

ALTERATION OF MEMORANDUM:

To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution (TO BE VOTED ON ONLY BY POSTAL BALLOT PURSUANT TO SECTION 192A OF THE COMPANIES ACT, 1956 READ WITH (PASSING OF RESOLUTION BY POSTAL BALLOT) RULES, 2001):

“RESOLVED that in accordance with the provisions of Section 16 and other applicable provisions if any, of the Companies Act, 1956, the Memorandum of Association of the company be and the same is hereby altered in the following manner :-

By inserting the following new Clauses under “ Other Objects” :

Activities in Realty Sector

25. To promote, own, develop, establish, manage projects either by itself or in association with any other person, company or firm in the realty sector in the nature of industrial, residential, commercial and amusement complexes, Townships, Malls, residential units and condominium and to maintain, let on lease/rent or sell such complexes, Townships, Malls, residential units and condominium and to purchase, own, take on lease land for the purpose.

Special Economic Zones

26. To promote, develop, set up , operate, manage (either by itself or in association with any other person(s), firm(s) or companies) Special Economic Zones in respect of any type of industry, activity as notified from time to time by the Ministry of Commerce & Industry, Government of India and to purchase, own, take on lease land for the purpose.



Hotels and Resorts

27. To own, acquire, establish, develop, manage (either by itself or in association with any other person(s), firm(s) or companies) Hotels, Resorts and allied activities and to purchase, own, take on lease land for the purpose.

Bio-Technology, NanoTechnology & other high end technology activities

28. To own, acquire, establish, develop, manage (either by itself or in association with any other person(s), firm(s) or companies) Bio-Technology Parks, Laboratories, Companies & firms in the Bio-Technology, Nano-Technology and other high end technology areas and to purchase, own, take on lease land for the purpose.

Setting up, acquisition of other businesses in India & outside India

29. To establish, purchase, take over, manage, control, undertake or otherwise acquire any business in India and outside India either in part or in entirety carried on by any individual, firm, joint family or body corporate and in particular to purchase or otherwise acquire from such business, rights, properties and as such including plants, machinery, lands, buildings, goodwill, liabilities and obligations and to pay the vendors in suitable manner.

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

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

Place: Bangalore
Date: 31.10.2007

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 and attendance slip are enclosed.
- 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. A Separate Postal Ballot Form (with instructions on its use) is also enclosed to enable the members to exercise their vote in respect of proposed business at sl.no.10 of this notice .
- E. The Register of Members and Share Transfer Books of the Company will remain closed from 11th December 2007 to 17th December 2007 (both days inclusive)
- F. Members/Proxies attending the meeting are advised to bring the attendance slip duly filled in.
- G. An explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of business listed at item No. 5 to 10 above is annexed.
- H. *Members holding shares in physical mode under more than one folio are advised to have all such shares consolidated into a single folio by sending a request letter together with the original shares certificates in respect of such multiple folios, to the Company's Registrar M/s. Alpha Systems Private Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore-560 003.*

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

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

Place: Bangalore
Date: 31.10.2007

KHODAY INDIA LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM NO: 5

Sri D.V. Tikekar who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 31-1-2007 pursuant to Article 30 of the Articles of Association, holds office only up to the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956. Mr.Tikekar has expressed his willingness to continue in office and Company has also received a notice under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of Director.

Your Board recommends the adoption of resolution for the appointment of Mr.Tikekar.

None of the Directors except Mr.Tikekar is directly or indirectly concerned or interested in the resolution.

ITEM NOS: 6, 7 and 8

- (i) In the Directors' Report for the year 2006-07 members have already been apprised of the Company's significant growth in the last twelve months. As the company's operations have been planned to achieve a higher growth rate both in terms of volumes of existing business through expansion in production facilities and diversification into other business ventures both in India and outside India and in particular in the Realty, Hospitality, Bio-Technology, Nano-Technology & other high end technology sectors and in the Special Economic Zones in India, fresh infusion of funds has become a necessity. To facilitate this, it is proposed to increase the Authorized Capital to enable the Company to raise additional share capital from time to time. The present authorized capital of the company which is Rs. 45 Crores therefore needs to be increased to Rs.100 Crores for this purpose. Accordingly, alterations to the Memorandum and Articles of Association of the Company are proposed to give effect thereof.

Your Directors recommend the resolutions for adoption.

None of the directors is concerned or interested directly or indirectly in these resolutions.

ITEM NO: 9

As already stated, in order to meet requirements of the resources in the long term for expansion of production facilities by installation of additional capital equipments and for diversification into other business ventures, as also to optimize the overall cost of funds, your company wishes to raise funds upto Rs. 62 crores or its equivalent in foreign currency both in the international and domestic market by the issuance of securities to the extent and the manner stated in the resolution.

Such issues and allotment of securities shall be governed by the issue of Foreign Currency Convertible Bond and ordinary Shares (through depository Receipt mechanism) scheme, 1993, the Foreign Exchange Management Act, 1999, the Foreign Exchange Management (Transfer or issue of Securities by a person resident out side India) Regulations 2000 (including any Statutory modifications or re-enactment thereof for the time being in force), and the provisions of section 81 any other applicable provisions of the Companies Act, 1956 as also other Laws, Rules and Regulations that may be in force.

According to the recent amendment to the Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993 (the "FCCB"), the raising of GDRs/ADRs /FCCB issues should be made at a price of not less than the higher of the following averages:

- 1) The average of the weekly high and low of the closing prices of the company's shares quoted on the Stock Exchanges during the six months preceding the relevant date.
- 2) The average weekly high and low for the closing prices of the company's shares quoted on the Stock Exchanges during the two weeks of the preceding the relevant date.



The relevant date for determination of the price of issue shall be as fixed by the Board of Directors. The securities issued pursuant to the International offerings will be listed on such of those Stock Exchanges in India and/ or other Stock Exchanges outside India as decided by the Board.

The special resolution seeks to give the Board powers to issue Securities in one or more tranches at such time or times, at such price or prices to such Persons including Institutions, Corporate Bodies, Individuals or otherwise as the Board may decide. However, these Securities shall not be issued to the Company's Promoters or their Relatives.

The special resolution, if passed, will have the effect of allowing the Board on behalf of the Company to offer, issue and allot the Securities to any Person other than the Company's Promoters, promoter groups & relatives (whether or not such persons are the existing shareholders of the company).

The Board believes that the proposed issue of securities is in the best interest of the company and recommends the resolution for adoption.

None of the directors is concerned or interested directly or indirectly in this resolution.

ITEM NO: 10

Some time ago, your Company's name was changed from "Khoday Distilleries Limited" to "**Khoday India Limited**" to reflect the diversified nature of business of the Company. The proposed alteration of Memorandum by addition of 5 new clauses is to enable your Company to undertake any type of business venture in general both in India and outside India and in particular in the Realty, Hospitality, Bio-Technology, Nano-Technology & other high end technology sectors and in the Special Economic Zones in India as notified from time to time by the Ministry of Commerce & Industry, Government of India.

Your Board believes that the resolution enabling the Company to undertake diversified business ventures both in India & outside India is in the best interest of the Company and recommends resolution for adoption.

In accordance with Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, consent of the members for this resolution is required to be obtained by means of postal ballot. Accordingly a separate postal ballot form is enclosed for exercising your vote. The Company has appointed Mrs. Akila Ravikrishnan as Scrutinizer for conducting the postal ballot in a fair and transparent manner.

None of the directors is concerned or interested directly or indirectly in this resolution.

By order of the Board
For KHODAY INDIA LIMITED

Place: Bangalore
Date: 31.10.2007

(M.S. MAYYA)
COMPANY SECRETARY

KHODAY INDIA LIMITED

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors take pleasure in presenting the 41st Annual Report on the working of your Company and the Audited Statement of Accounts for the year ended 31st March 2007:

FINANCIAL HIGHLIGHTS:

(Rs. in Lakhs)

Particulars	2006-2007	2005-2006
1. Gross Income	16810.79	15447.83
Less: Excise Duty	5613.22	5667.82
2. Net Income	11197.57	9780.01
3. Profit Before Tax	1169.05	(1371.39)
4. Provision for Taxation		
Current Tax	140.00	-
Deferred Tax	-	-
Fringe Benefit Tax	25.46	(20.26)
5. Profit after Tax	1003.59	(1391.65)
ADD : Income Tax for the earlier years	9.15	9.88
	1012.74	(1381.77)
6. Appropriation		
Dividend	375.91	-
Dividend Tax	63.89	-
Balance carried forward	572.94	(1381.77)
	1012.74	(1381.77)
7. EPS – basic	2.67	(3.70)

REVIEW OF PERFORMANCE:

Your Company has registered a net income of Rs. 111.97 Crores during the year compared to Rs.97.80 Crores of the previous year representing an increase of Rs.14.17 Crores.

Your Directors have pleasure in announcing that the company has successfully made a turn around and has registered a profit after tax of Rs. 10.03 Crores on the back of robust business performance during the year.

Your Directors are optimistic that the company will continue to improve its performance and maximize shareholder value in the years to come.

DIVIDEND:

Your Directors have recommended a dividend of Re.1/- per share for the equity shareholders of the company for the financial year ending March 31st 2007 subject to the approval of the Shareholders at the ensuing Annual General Meeting.

DIRECTORS:

- i). In accordance with Article 37(A) of the Articles of Association of the Company, Prof. L.R.Vagale, Director retires by rotation and being eligible has offered to be re-appointed.
- ii) Sri.D.V.Tikekar who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 31-1-2007 pursuant to Article 30 of the Articles of Association, holds office only up to the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956. Mr. Tikekar has expressed his willingness to continue in office and the Company has also received a notice under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of Director.



AUDITORS:

Mr.S.Sukumar, Chartered Accountant, retires at the ensuing Annual General Meeting and vide his letter dated 26th October 2007 has signified his unwillingness to be re-appointed as the Statutory Auditor of the Company.

The Board of Directors at its meeting held on 31st October 2007, has resolved to recommend the appointment at the ensuing Annual General Meeting, of M/s. Rangaraju and Associates, Chartered Accountants, Bangalore as Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting till the next Annual General Meeting of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO, IF ANY:

The information required to be furnished Under Section 217(1)(e) of the Companies Act, 1956, is at Annexure-'A'.

PARTICULARS OF EMPLOYEES UNDER THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

A statement containing the particulars of employees in terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 is attached as Annexure-'B' and forms an integral part of this Report.

INDUSTRIAL RELATIONS:

Industrial Relations were cordial throughout the year under review. Your Directors appreciate the dedicated services and co-operation of employees at all levels

CORPORATE GOVERNANCE:

A separate section on Corporate Governance is included in the Annual Report. The Company has complied with the requirements of Corporate Governance as stipulated in clause 49 of the Listing Agreement. The Certificate obtained from the Company's Auditors on compliance with Corporate Governance requirements is annexed to thereto.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors further report that:-

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there were no material departures;
- ii. the accounting policies selected by them were applied consistently, judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at 31st March 2007 and of the profit of the company for the period ended 31.03.2007.
- iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS:

Your Directors thank the customers, vendors, investors, bankers, financial institutions, Central and State Governments for their continued support and co-operation extended to the Company.

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

Date: 31.10.2007
Place: Bangalore

K.L.RAMACHANDRA
CHAIRMAN

KHODAY INDIA LIMITED

Annexure "A" to Directors' Report

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

FORM – A (See Rule 2)

1. Conservation of Energy :-

- Energy efficient Motors were installed in place of old and energy intensive Motors thereby achieving considerable Energy conservation.
- Fans, lights and other electrical devices were switched off when not in use thereby achieving energy saving to a considerable extent.
- Installation of energy efficient lamps to cut down electricity consumption was undertaken.

PARTICULARS	31-03-2007		31-03-2006					
	Glass		Glass					
A. POWER & FUEL CONSUMPTION								
– Electricity								
(a) Units Purchased KWH	5560280		5372098					
Amount (Rupees in '000s)	27557		27106					
Rate per Unit (in Rs.)	4.95		5.05					
(b) Own Generation :								
Through Diesel Generators								
Units Produced KWH	51333		59845					
Rate per Unit (in Rs.)	11.98		15.29					
B. CONSUMPTION PER UNIT OF PRODUCTION								
	Electricity		Furnace Oil		LP Gas		HSD Oil	
	31-3-2007	31-3-2006	31-3-2007	31-3-2006	31-3-2007	31-3-2006	31-3-2007	31-3-2006
Glass / MT	556.23 units	636 Units	271.35 Ltrs	–	36.12 Kgs	–	5.33 Ltrs	–

FORM – B (See Rule 2)

2. RESEARCH AND DEVELOPMENT EFFORTS:

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

3. TECHNOLOGY ABSORPTION:

a) KTG Technology of United Kingdom adopted in the working of glass furnace for achieving better oil to glass ratio, for ensuring better productivity.

b) **Imported Technology:** The Imported Technologies have been fully absorbed.

4. Foreign Exchange Earnings & Out Go

[in Rs. 000s]

PARTICULARS	31-03-2007	31-03-2006
A. FOREIGN EXCHANGE OUT GO	21.50	11.93
B. FOREIGN EXCHANGE EARNINGS	507	157.72



Annexure "B"

INFORMATION REQUIRED TO BE FURNISHED UNDER THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Name of employee	Designation & nature of duties	Remuneration recd. during the financial year 1st April 2006 to 31st March 2007 in Rs: (inclusive of perquisites)	Nature of employment, i.e whether contractual or otherwise	Other terms and conditions of employment	Qualifications & experience (no. of years)	Date of commencement of employment	Age of the employee	The last employment he before joining the Company)
Satpal Chaudhry	Chief Operations Officer-Sales & Marketing,	2,10,000/- p.m.	Contractual	As per Service Rules of the Company	M.Tech (Industrial), B.E. (Mechanical) 39 years	01 st March 2007	62 yrs	C.E.O" Himmel Breweries Limited, Delhi

- Notes: 1. The above mentioned employee is not related to any of the Directors of the Company.
 2. Remuneration as shown above includes salary & house rent-allowance.
 3. No equity shares of the Company are held by the employee either in his name or in the name of his spouse & dependant children.

KHODAY INDIA LIMITED

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

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

2. BOARD OF DIRECTORS:

Composition and category of Directors, their attendance at Board Meetings & last Annual General Meeting and directorships in other companies:-

Name of Directors	Designation	Category	No. of Board Meetings attended	Attendance at the last AGM held on 29 th September 2006	No. of directorships in public companies other than Khoday India Limited	No. of member ships held in Committees of the Board of Khoday India Limited
Sri. K.L. Ramachandra	Chairman	Promoter-Non-Executive	4	Present	8	2
Sri. K.L. Srihari	Vice Chairman & Managing Director	Promoter-Executive	3	Present	10	2
Sri. K.L.A. Padmanabhasa	Joint Managing Director	Promoter-Executive	4	Present	8	-
Sri. K.L. Swamy	Executive Director	Promoter-Executive	5	Present	8	2
Prof. L.R. Vagale	Director	Independent-Non Executive	5	Present	-	1
Maj. Gen. (Retd.) M.K.Paul	Director	Independent-Non Executive	5	Present	-	1
Sri. D.V. Tikekar	Director	Independent-Non Executive	-	-	6	-

During the financial year 2006-07, 5 Board meetings were held viz., on 28-4-2006, 31-7-2006, 6-9-2006, 31-10-2006 and 31-1-2007.

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



PARTICULARS OF NEW DIRECTOR AND DIRECTOR RETIRING BY ROTATION AND BEING RE-APPOINTED

New Director:-

Sri.D.V.Tikekar:- Sri.Tikekar who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 31-1-2007. Aged 72 years, Sri.Tikekar holds a Master Degree in Commerce from University of Bombay and is also Fellow Member of the College of Commerce, Bristol, United Kingdom and a Diploma holder in International Economics from Universite Internationale, Luxembourg.

Beginning his career with National Sample Survey, Government of India, Sri.Tikekar later worked for Nowland and Co.Ltd., London before joining Kirloskar Consultants Limited where he held the position of Managing Director from 1963 till his retirement in 2000. Sri.Tikekar presently holds the position of Chairman of Kirloskar Consultants Limited since 2000. Sri. Tikekar has published several papers in Economics & Business Laws and is a member of various academic, trade & commerce bodies including the Federation of Indian Chambers of Commerce & Industry. Sri.Tikekar is a Director of 6 other public companies.

Director retiring by rotation and proposed to be re-appointed :-

Prof. Lakshmansa Ramachandrasa Vagale:- Prof. Vagale aged 85 years has been a Director of the Company since his appointment on 31st July 2003. Prof. Vagale holds Master Degree in Science and Bachelors Degree in Civil Engineering with specialization in Town Planning and Housing. Prof. Vagale has held the positions of Project Manager and Chief Technical Advisor for the projects of United Nations. Prof.Vagale is a member of the Audit Committee of the Board of Directors of the Company..

3. AUDIT COMMITTEE:

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

The Audit Committee comprises 3 members viz., Sri.K.L.Ramachandra – Non-Executive Director, Prof.L.R.Vagale - Independent Director and Maj.Gen. (Retd.), M.K.Paul – Independent Director. The Company Secretary acts as the Secretary to the Committee. The Committee elected Prof. L.R.Vagale, Member of the Audit Committee, an independent director to act as its Chairman. The Audit Committee Meeting was held on 31-1-2007, which was attended by all the 3 members.

4. REMUNERATION COMMITTEE:-

The Board has so far not constituted 'Remuneration Committee' for the purpose of considering payment of remuneration to Whole-time Directors.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

The Shareholders/Investors' Grievance Committee comprises 3 Directors viz. Sriyuths. K.L.Ramachandra, K.L.Srihari & K.L.Swamy. The members of the Committee have elected Sri. K.,L. Ramachandra, a Non-Executive Director to act as its Chairman..Sri.M.S.Mayya , Company Secretary is the Compliance Officer.

During the year, the company received 23 complaints from shareholders all of which were redressed to the satisfaction of shareholders within 30 days of receipt.

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6. GENERAL BODY MEETINGS:

Particulars of last three Annual General Meetings held:

AGM	Financial year ended	Venue	Date	Time
40 th	31-3-2006	Vaishnavi Kalyana Mantapa, Bangalore	29-09-2006	12.30 p.m.
39 th	31-3-2005	Shravanti Kalyana Mantapa, Bangalore	23-12-2005	12.00 Noon
38 th	31-3-2004 (Adjourned Meeting)	Vaishnavi Kalyana Mantapa, Bangalore	24-12-2004	12.15 p.m.

No special resolution was passed at the aforesaid Annual General Meetings through postal ballot.

7. DISCLOSURES:

- (i) There were no materially significant related party transactions during the year..
- (ii) The company has complied with the requirements of regulatory authorities on capital markets and no penalties/strictures have been imposed during the last three years.
- iii) The mandatory requirements pertaining to disclosures as at i) & ii) above have been complied with.

8. MEANS OF COMMUNICATION:

- i. The statements of quarterly financial results are furnished to the Stock Exchanges through facsimile transmission (fax) immediately after conclusion of the Board Meeting and also through courier in compliance with the requirement under the Listing Agreement.
- ii. The financial results are published in the English daily "The Hindu" and Kannada daily "Udayavani".
- iii. The financial results are also duly filed on the EDIFAR website in compliance with the requirement specified by SEBI.
- iv. The Company's Balance Sheet is posted on the website "Khoday.com".

9. GENERAL SHAREHOLDER INFORMATION:

- i. 41st ANNUAL GENERAL MEETING is scheduled to be held on Monday, the 17th December 2007 at 12.00 Noon at Shravanti Kalyana Mantapa, Opp.Adiga's Hotel, Kanakapura Road, Bangalore-560 078. (A Special Resolution for altering the Memorandum of Association by inserting 5 new clauses under "Other Objects" is proposed to be passed through Postal Ballot.)
- ii. Procedure for Postal Ballot: The Postal Ballot forms will be mailed to the Shareholders along with Notice of AGM and Annual Report with instruction for return of the completed Forms to the Independent Scrutinizer appointed by the Board. The Scrutinizer will scrutinize the Postal Ballot Forms duly filled in and returned by the Shareholders and his report will be submitted to the Chairman of the Annual General Meeting who will declare the result of the motion.
- iii. Financial year : 1st April 2006 to 31st March 2007
- iv. Book Closure Date: 11th December 2007 to 17th December 2007 (both days inclusive).
- v. Dividend Payment Date : 11th January 2008

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vi. Shares of the Company Listed at :-

- a. Bangalore Stock Exchange Ltd
Stock Exchange Towers,
51, 1st Cross, J C Road
Bangalore-560 027
Phone No: 41575262
- b. Bombay Stock Exchange Ltd,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400 001
Phone No: 022-22721234
- c. Madras Stock Exchange Ltd
"Exchange Building"
11, Second Line Beach
Chennai-600 001
Phone No: 044-25228951

vii. Stock Code : 507435 (BSE)

viii. Market Price data during April 2006 – March 2007 on Bombay Stock Exchange:

MONTH		OPEN	HIGH	LOW	BSE Sensex
APRIL	2006	39.55	87.80	38.60	12042.56
MAY	2006	89.00	92.15	48.15	10398.61
JUNE	2006	58.20	58.20	38.15	10609.25
JULY	2006	41.35	41.35	32.75	10743.88
AUGUST	2006	39.25	48.65	37.75	11699.05
SEPTEMBER	2006	41.80	49.80	40.15	12454.42
OCTOBER	2006	43.70	43.70	37.55	12961.90
NOVEMBER	2006	38.50	47.00	36.80	13696.31
DECEMBER	2006	38.70	39.25	34.05	13786.91
JANUARY	2007	38.00	68.90	37.15	14090.92
FEBRUARY	2007	72.30	72.30	53.55	12938.09
MARCH	2007	55.70	56.90	44.00	13072.10

ix. Registrar and Share Transfer Agent:

*M/s. Alpha Systems Private Limited,
30, Ramana Residency, 4th Cross,
Sampige Road, Malleswaram,
Bangalore-560 003.*

x. Share Transfer System:

The requests for transfer, transmission etc in respect of shares held in the physical mode are processed by the Registrar who forward to the Company once every 15 days a Memorandum containing details of the proposed transfers, transmission etc. for Company's approval. The said Memorandum and the concerned documents are scrutinized and approved by the Share Transfer Committee of the Board of Directors. Upon conveying of the said approval, the share certificates are endorsed with share transfer / transmission details and despatched by the Registrar to the transferees / beneficiaries within 30 days of receipt of the documents.

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Requests for dematerialization of shares are processed and the confirmation in that regard are conveyed to Depositories within 15 days of receipt. All routine correspondence connected with share transfers/transmissions etc. are attended to by the Registrar. The Company representative periodically visits the Registrar's office to monitor the work entrusted..

xi. Distribution of shareholding:-

Distribution of Shareholding as of 31st March 2007 :

Range of Shares	No. of Share holders	% of Share holders	No. of Shares Held	% of Share-holding	
1	500	14842	95.63	1895862	5.04
501	1000	340	2.19	269905	0.72
1001	2000	146	0.94	229597	0.61
2001	3000	42	0.27	107083	0.28
3001	4000	30	0.19	107502	0.29
4001	5000	14	0.09	65566	0.17
5001	10000	31	0.20	229394	0.61
10001 & ABOVE	75	0.48	34686328	92.27	
Total	15520	100.00	37591237	100.00	

xii. Dematerialization of shares and liquidity

Equity shares of the company being in the compulsory dematerialized segment, their trading is facilitated through both the Depository Systems in India, viz., NSDL and CDSL. The International Securities Identification Number (ISIN) allotted for the Company's shares under the Depository System is INE687B01014-KIL-EQ. Shareholders holding shares in dematerialised form are required to enter into correspondence with the concerned Depository Participants.

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

xiv. **Plant Locations:** No:54, Kannayakana Agrahara
Anjanapura Post,
Bangalore - 560 062.

xv. **Address for correspondence:** Khoday India Limited
"Brewery House",
7th Mile, Kanakapura Road,
Bangalore-560 062.
Tel No. : 080-22956569



MANAGEMENT DISCUSSION AND ANALYSIS

- 1. Industry structure and developments:** This Industry is a significant contributor to the States' Exchequer. Reflecting the robust growth of around 9% in the Indian economy, the industry also witnessed a growth of about 9.5% on volume basis. The product distribution in most states is managed through government undertakings.
- 2. Opportunities and threats:** The overall growth in the economy and the resultant higher disposable incomes is viewed as the main driver of increased volume of business. However, the highly regulated environment in which the Company operates marked by near absence of uniformity of policies amongst various states combined with the restriction on advertising in both the print and electronic media present impediments to growth. The easy availability of multinational brands constitutes another challenge for the Company.
- 3. Segment wise/ product wise performance:** The Company mainly operates in the product segments of Liquor, Glass and Contact Centre. While the Liquor segment clocked a revenue of Rs.124.61 crores during the year registering an increase of Rs.6.25 crores over the previous year's figure of Rs.118.36 crores, the revenue from the Glass segment stood at Rs.14.29 crores registering an increase of Rs.5.18 crores over the previous years' figure of Rs.9.11 crores. There were no business operations in contact centre during the year. However, the Company has since revived operations in this segment.
- 4. Outlook:** The strong macro economic outlook is expected to continue providing the momentum for growth. Concomitantly, it is expected that significant growth will be registered across all products of the Company during 2007-08.
- 5. Risks and concerns:** The Company operates in a highly competitive environment, with the product distribution managed solely by the State Government Agency i.e. Karnataka State Beverages Corporation Ltd. the high incidence of Excise duty and the mounting transportation and other fixed and variable costs are expected to put pressure on Company's margins.
- 6. Internal Control System :** The company has devised proper procedures and adequate controls which are routinely monitored for effective implementation.
- 7. Financial performance vis-à-vis operational performance :** The gross sales turn over of the company at Rs.168.10 Crores has registered an increase of about Rs.13.63 Crores over the previous year's figures. As already stated the Company has made a turn around and has registered a profit after tax of Rs.10.03 Crores on the back of improved business performance and effective cost control measures.
- 8. Material development in human resources / industrial relations front:** The Company has embarked on improving employee output across all levels through operational efficiency and higher levels of motivation. The industrial relations in all the units of the company remained cordial throughout the year.

KHODAY INDIA LIMITED

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 2007 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 a review of the procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me and based on the representations made by the Directors and the Management, I certify that the Company has complied with the conditions of Corporate Governance except **non conducting of three 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 investor's 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 : 31.10.2007

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 2007 and the 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 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 comply 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 2007 and taken on record by the Board of Directors, I report that no Director is disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
6. 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 in conformity with the accounting principles generally accepted in India.
 - a. In the case of the Balance Sheet, of the state affairs of the company as at 31 st March 2007,
 - b. In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
 - c. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Bangalore
Date:31.10.2007

S. SUKUMAR
Chartered Accountant
Membership No.19882

ANNEXURE TO THE AUDITOR'S REPORT.

(Referred to in Para 4 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) The fixed assets disposed off during the year were not substantial so as to affect the going concern status of the Company.
- II. (a) As explained to me, Inventories have been physically verified by the management at reasonable intervals during the year. The stocks in possession of the third parties have been confirmed by them.
- (b) In 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 I have been informed that no material discrepancies were noticed on physical verification.
- III. (a) The company has not granted any Loans, secured or unsecured to Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted any loans, Clauses (iii) (b), (iii) (c) and (iii) (d) of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- (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 except unsecured loans from four parties who are listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and the year-end balance of such loan aggregate to Rs. 553.63 lakhs and Rs.541.03 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 are Rs.1094.98 lakhs and the year end balance of such loan is Rs. 1094.98 Lakhs.
- (f) In my opinion, according to the information and explanation given to me, 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. Since the loan taken from the Directors are interest free, the rate of interest and the terms and conditions are not, prima facie, prejudicial to the interest of the Company.
- (g) Since there is no stipulation as to the repayment of principal and interest, I am of the opinion that there is no irregularity in the repayment of these loans.
- IV. In my opinion and according to the information and explanations given to me, there is adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of my audit, I have neither come across nor have I been informed of any continuing failure to correct major weaknesses in the aforesaid internal controls 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 that need to be entered into the register maintained under that section have been so entered.



- (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 there under.
- VII. In my opinion, the company has an internal Audit system commensurate with its size and nature of business.
- VIII. I have broadly reviewed the books of accounts maintained by the company in respect of Industrial Alcohol and paper products pursuant to the Rules made by Central Government for the maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956, and I am of the opinion that prima facie, the prescribed accounts and records have been made and maintained by the company.
- 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, sales 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.50.18 lakhs towards sales tax, Rs. 0.36 lakhs towards Employees Provident Fund, Rs.0.17 lakhs towards Professional Tax, Rs.2.34 lakhs towards Income Tax and Rs. 0.86 lakhs towards TDS, there are no other undisputed amounts payable in respect of statutory dues which have remained outstanding as at 31st March 2007 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 as per records of the company, the following are the particulars of dues on account of Sales Tax and Income Tax and Gift Tax which have not been deposited on account of dispute before the forum mentioned there against.

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 F.Y. 1992 to 2001	305.46	Joint Commissioner of Commercial Taxes (Appeal) Bangalore.
Karnataka Sales Tax Act, 1957	Sales tax F.Y 2002-03	30.39	Joint Commissioner of Commercial Taxes (Appeal) Bangalore.
Income Tax Act, 1961.	Income Tax Demand F.Y 1998-99	41.66	Income Tax Appellate Tribunal.
Income Tax Act, 1961.	Income Tax Demand F.Y. 1999-00	81.63	Commissioner of Income Tax (Appeal).
Income Tax Act, 1961.	Income Tax Demand F.Y. 2000-01	55.45	Income Tax Appellate Tribunal
Income Tax Act, 1961.	Income Tax Demand F.Y.2001-02	10.27	Income Tax Appellate Tribunal
Income Tax Act, 1961.	Income Tax Demand F.Y.2002-03	94.02	Commissioner of Income Tax (Appeal).
Income Tax Act, 1961.	Income Tax Demand F.Y.2003-04	95.63	Commissioner of Income Tax (Appeal).
Gift Tax Act, 1958	Gift Tax Demand F.Y. 1986-87	151.90	Honorable Supreme Court

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- X. The company does not have any accumulated losses at the end of the financial year. Further, the company has not incurred cash losses during the financial year covered by my audit but had incurred cash losses during the immediately preceding financial year.
- XI. According to information and explanations given to me, the company has defaulted in repayment of principal and interest dues to the following banks and financial institutions.

Name of the Institution	Nature of Dues	Amount of Default (Rs. in Lakhs)	Period of Default (since)	Actual amount paid (Rs. in Lakhs)	Actual date of Payment
UCO Bank	Term Loan	77.62	Nov'2004	77.62	05.07.07
UCO Bank	Int. on Term Loan	0.30	March'2007	0.30	05.07.07
KSIIDC	Term Loan	63.02	Dec' 2004	63.02	14.05.07

- XII. According to the information and explanations given to me, the company has not granted any loans and advances secured by pledge of shares, debentures and other securities.
- XIII. In my opinion, the company is not a chit fund or a nidhi or a mutual fund society. Therefore the provision of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- XIV. In 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 guarantee for the loans taken by others from banks or financial institutions.
- XVI. 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.
- XI. 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 : 31.10.2007

S. SUKUMAR
Chartered Accountant
Membership.No.19882



BALANCE SHEET AS AT 31ST MARCH, 2007

[Rupees in Thousand]

PARTICULARS	Schedule No.	As at 31-03-2007	As at 31-03-2006
SOURCES OF FUNDS			
1. SHARE HOLDERS' FUNDS			
[a] Share Capital	1	375,912	375,912
[b] Reserves & Surplus	2	762,668	732,727
2. LOAN FUNDS			
[a] Secured Loans	3	384,509	758,855
[b] Unsecured Loans	4	163,600	92,020
TOTAL:		1,686,689	1,959,514
APPLICATION OF FUNDS			
3. FIXED ASSETS :-			
[a] Gross Block	5	1,424,981	1,292,086
[b] Less: Depreciation		<u>799,565</u>	<u>713,120</u>
[c] Net Block		625,416	578,966
4. CAPITAL WORK-IN-PROGRESS			
[a] Call Centre		-	167,059
[b] Others		37,696	63,713
5. INVESTMENTS			
	6	622,813	623,430
6. CURRENT ASSETS, LOANS & ADVANCES			
[a] Inventories	7	537,109	546,082
[b] Sundry Debtors	8	278,844	264,022
[c] Cash & Bank Balances	9	124,139	48,326
[d] Other Current Assets	10	284	516
[e] Loans & Advances	11	446,946	484,445
		<u>1,387,322</u>	<u>1,343,391</u>
7. LESS: CURRENT LIABILITIES & PROVISIONS :-			
[a] Current Liabilities	12	889,982	761,585
[b] Provisions	13	99,395	61,098
		<u>989,377</u>	<u>822,683</u>
9. NET CURRENT ASSETS			
		397,945	520,708
10. MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)	14	2,819	5,638
TOTAL :		1,686,689	1,959,514

Significant Accounting Policies and Notes on Accounts 22

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 : 31-10-2007

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, 2007

[Rupees in Thousands]

PARTICULARS	Schedule No.	For the year ended 31-03-2007	For the year ended 31-03-2006
INCOME:			
Sales (Gross)	15	1,592,878	1,432,713
Less: Excise Duty		561,323	566,782
Sales (Net)		1,031,555	865,931
Other Income	16	82,477	56,838
Increase / (Decrease) in Stock	17	5,725	55,232
TOTAL:- [A]		1,119,757	978,001
EXPENDITURE:			
Consumption of Materials and Purchase for resale	18	378,075	386,031
Mfg, Administrative & Selling Expenses	19	343,247	383,515
Personnel Expenses	20	93,627	146,300
Interest & Bank Charges	21	123,156	146,544
Depreciation :			
For the year		92,100	80,103
LESS: Transfer from Revaluation reserve		27,353	27,353
		64,747	52,750
TOTAL:- [B]		1,002,852	1,115,140
PROFIT/(LOSS) BEFORE TAXATION [A-B]		116,905	(137,139)
LESS: Provision for Taxation - Current Tax		14,000	-
- Fringe Benefit Tax		2,546	2,026
PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS		100,359	(139,165)
Income tax relating to earlier years - (Net)		915	988
NET PROFIT / (LOSS) FOR THE YEAR		101,274	(138,177)
LESS : Proposed Dividend @ 10%		37,591	-
Provision for Dividend Tax		6,389	-
Balance carried to Balance Sheet		57,294	(138,177)
TOTAL:-		57,294	(138,177)
Basic and Diluted Earnings Per Share (in Rupees) (Refer Note-3)		2.67	(3.70)

Significant Accounting Policies and Notes on Accounts 22

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

S. SUKUMAR

Place: Bangalore
Date : 31-10-2007

M. S. MAYYA
Company Secretary

Chartered Accountant
membership No. 19882



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	As at 31-03-2007	As at 31-03-2006
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	<u>381,342</u>	<u>381,342</u>
SUBSCRIBED AND PAID UP		
3,75,91,237 (previous year 37591237) Equity Shares of Rs.10 each fully paid up (Including the following shares issued for consideration other than cash 64,50,000 Equity Shares allotted as fully paid Bonus Shares by capitalisation of Reserves; 111048 Equity Shares allotted to Share holders of erstwhile Manaylux Paper Board Pvt Ltd in terms of scheme of amalgamation sanctioned by High Court of Karnataka in the financial year 2000-2001; and 23076923 Equity shares allotted to Share holders of erstwhile Khoday Systems Limited in terms of scheme of amalgamation Sanctioned by High Court of Karnataka in the financial year 2003-2004)	<u>375,912</u>	<u>375,912</u>
Total...	<u>375,912</u>	<u>375,912</u>
 SCHEDULE - 2		
RESERVES AND SURPLUS:		
CAPITAL RESERVE		
As per last Balance Sheet	<u>190,918</u>	<u>190,918</u>
CAPITAL REDEMPTION RESERVE:		
As per last Balance Sheet	<u>531</u>	<u>531</u>
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	<u>115,463</u>	<u>115,463</u>
GENERAL RESERVE:		
As per last Balance Sheet	134,379	272,556
Add / (Less) : Transfer to Profit & Loss Account	-	(138,177)
As at the end of the financial year	<u>134,379</u>	<u>134,379</u>
REVALUATION RESERVE:		
As per last Balance Sheet	241,436	268,789
Less : Transfer to Profit & Loss Account	<u>27,353</u>	<u>27,353</u>
As at the end of the financial year	<u>214,083</u>	<u>241,436</u>
DEBENTURE REDEMPTION RESERVE:		
As per last Balance Sheet	<u>50,000</u>	<u>50,000</u>
PROFIT & LOSS ACCOUNT :		
Surplus from Profit & Loss Account	57,294	-
Total...	<u>762,668</u>	<u>732,727</u>

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	As at 31-03-2007	As at 31-03-2006
SCHEDULE - 3		
SECURED LOANS:		
a. From Banks - Cash Credits	326,294	336,352
- Term Loans	41,603	245,647
b. From Financial Institutions	6,800	120,614
c. From Others	4,525	14,790
d. Interest Accrued and Due	5,287	41,452
Total	384,509	758,855

(a) 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.

(b) Term Loan from banks includes

(i) Rs.Nil (Previous Year 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 78.83 Lacs (Previous Year 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 Nil (Previous year 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. Nil (Previous year 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 guarantee of the Directors of the Company.

(v) Rs 337.20 lacs (Previous Year 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



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	As at 31-03-2007	As at 31-03-2006
-------------	---------------------	---------------------

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 .

(c) Loans from Financial Institutions include

(i) Rs Nil (Previous year 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 members and whole of movable property of the Company including its Plant and Machinery, Spares, Tools and Accessories and other movables, both present and future.

(ii) Rs.68 Lacs (Previous Year 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.

(d) **Loans from others Rs 45.25** Lacs includes Rs 28.56 Lacs (Previous year Rs 47.10 Lacs) secured by hypothication of vehicles and Rs.Nil (Previous Year Rs 20.11 Lacs) being hire purchase loans taken for acquiring fixed assets of the company and Rs 16.69 Lacs (Previous Year Rs 16.69 Lacs) secured by the Second Charge on the Plant & Machinery and Land measuring 77.24 acres of Company's Paper Division and balance of Rs Nil (Previous Year 64 Lacs) being finance lease taken for acquiring computer of System Division.

SCHEDULE -4

UNSECURED LOANS

From Other - Short Term Loans

- From Directors	109,497	34,507
- From Others	54,103	57,513
TOTAL	163,600	92,020

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS		As at				As at					
		31-03-2007				31-03-2006					
SCHEDULE -5											
FIXED ASSETS											
		GROSS BLOCK			DEPRECIATION			NET BLOCK			
SL No.	PARTICULARS	As on 01.04.2006	Additions	Sale / Deductions	As on 31.03.2007	As on 01.04.2006	For the year	With drawn	As on 31.03.2007	As on 31.03.2007	As on 31.03.2006
1	Land	33,417			33,417					33,417	33,417
2	Buildings	426,190	4,731	23,080	407,841	100,359	15,422	5,304	110,477	297,364	325,830
3	Plant & Machinery	480,753	21,421		502,174	356,775	33,659		390,434	111,740	123,979
4	Furniture & Fixtures Other Office Equipments	250,047	127,897		377,944	171,104	38,761		209,865	168,079	78,943
5	Vehicles	101,679	2,325	399	103,605	84,882	4,258	351	88,789	14,816	16,797
	Sub total . . .	1,292,086	156,374	23,479	1,424,981	713,120	92,100	5,655	799,565	625,416	578,966
6	Capital Work-in-Progress	230,772	4,810	197,886	37,696					37,696	230,772
	Grand Total (I to VI)	1,522,858	161,184	221,365	1,462,677	713,120	92,100	5,655	799,565	663,112	809,738
7	Previous Year-Fixed Assets	1,289,281	2,805	-	1,292,086	633,017	80,103		713,120	578,966	656,264
	Previous Year - Capital Work in Progress	239,842	23,637	32,707	230,772					230,772	239,842
	Previous Year - T o t a l	1,529,123	26,442	32,707	1,522,858	633,017	80,103		713,120	809,738	896,106

SCHEDULE -6

INVESTMENTS :

(A) Govt. Securities	256	256
TOTAL { A }	256	256

(B) QUOTED - EQUITY SHARES (FULLY PAID-UP)

TRADE INVESTMENTS - LONG TERM :

	Face Value each Share	No of Shares			
		31.03.2007	31.03.2006		
Alembic Glass Industries Limited	10	33	33	4	4
Arlem Breweries Limited	10	150	150	1	1
Artos Breweries Limited	10	225	225	2	2
Excell Glass Limited	10	500	500	5	5
Jupiter Breweries Limited	10	300	300	3	3
Pilsener Breweries Limited	10	100	100	2	2
Punjab Breweries Limited	10	250	250	3	3
Shaw Wallace and Co Ltd	10	500	500	2	2
UB Limited	10	20	20	0	0
Kingfisher Properties and Holding Ltd.	10	562	5281	2	45
Sub Total				24	67



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	As at 31-03-2007	As at 31-03-2006
NON-TRADE INVESTMENTS - LONG TERM :		
Chowgule Steam Ship Limited	10 17,500 17500	400 400
GL Hotels Limited	10 900 900	5 5
GTC Industries Limited	10 160 160	1 1
Godfrey Phillips India Limited	10 1,600 1600	14 14
IDL Chemicals Limited	10 1,860 1860	7 7
Kasturi Foods & Chemicals Limited	10 5,000 5000	50 50
MOI Engineering Limited	10 1,400 1400	10 10
Metal Box India Limited	10 365 365	4 4
Modern Syntex (India) Ltd	10 400 400	12 12
Nestle India Ltd	10 76 76	0 0
Panchakala Malt Limited	10 100 100	1 1
State Bank of Travancore	100 280 280	168 168
Sub Total	672	672
Total.. {B}	696	739
AGGREGATE MARKET VALUE OF QUOTED INVESTMENTS	3,796	4,039
(C) UNQUOTED - EQUITY SHARES (FULLY PAID-UP)		
TRADE INVESTMENTS - LONG TERM :		
Himalaya Distilleries Ltd	10 12,500 12500	125 125
United Glass Bottles Mfg Co Ltd	10 13650 13650	137 137
Khoday Industries Pvt Ltd	1000 480 480	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)	100 5,000 5000	500 500
Total.. {C}	1,242	1,242
(D) INVESTMENTS IN FIRMS :		
Lakshmi Estate	620,619	621,193
Total.. {D}	620,619	621,193
TOTAL INVESTMENTS AT COST {A+B+C+D}	622,813	623,430

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	As at 31-03-2007	As at 31-03-2006
SCHEDULE - 7		
INVENTORIES: (As valued and certified by the Management)		
Stores, Spares and Fuel	6,211	4,951
Raw Materials & Goods Purchased for Resale	97,932	111,092
Semi-Finished Goods	345,150	320,795
Work - in - Progress	1,365	3,466
Finished Goods	86,451	105,778
Total..	537,109	546,082
SCHEDULE - 8		
SUNDRY DEBTORS: (Unsecured, Considered Good)		
Outstanding for more than Six Months	72,990	145,031
Other Debts	205,854	118,991
(Unsecured, Considered Doubtful)		
Outstanding for more than six months	928	928
LESS: Provision for Doubtful Debts	(928)	(928)
Total..	278,844	264,022
SCHEDULE - 9		
CASH AND BANK BALANCES:		
Cash on hand and in transit	53,418	12,513
Cheques and Drafts in Hand	8,538	-
Balances with Scheduled Banks		
- In Current Account	44,594	21,886
- In Fixed Deposit Accounts	17,589	13,927
Total..	124,139	48,326
SCHEDULE - 10		
OTHER CURRENT ASSETS:		
Interest Accrued on Fixed Deposits and Investments	284	516
Total..	284	516



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	As at 31-03-2007	As at 31-03-2006
SCHEDULE - 11		
LOANS & ADVANCES :		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	391,946	475,682
Balance with Excise Authorities	25,299	8,650
Deposit - Others	28,141	-
Advance Income Tax (Net of Provision for Taxation Rs. 42,051 thousands)	1,560	113
TOTAL	446,946	484,445
SCHEDULE - 12		
CURRENT LIABILITIES :		
Sundry Creditors		
- For Trade	74,901	102,495
- For Capital Goods	31,115	35,125
- For Expenses & Others	146,915	180,929
- Due to Small Scale Industries	5,889	-
Advance from customers	72,771	40,567
Unclaimed dividends	-	248
Trade Deposit Received	215,000	300,000
Other liabilities	343,291	99,812
Interest accrued but not due	100	2,409
TOTAL	889,982	761,585
SCHEDULE - 13		
PROVISIONS :		
For Retirement Benefits	27,091	29,449
For Excise Duty	28,320	31,645
For Diminution in value of Investment	4	4
For Proposed Dividend	37,591	-
For Dividend Tax	6,389	-
TOTAL	99,395	61,098

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	For the year ended 31-03-2007	For the year ended 31-03-2006
SCHEDULE - 14		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure	5,638	20,644
Less.: Transferred to Profit & Loss account	2,819	15,006
Total..	2,819	5,638
SCHEDULE - 15		
SALES		
Distillery - IML	1,246,061	1,183,608
Glass	88,284	91,148
Contract	252,000	-
Others	6,533	234
Systems	-	157,723
Total..	1,592,878	1,432,713
SCHEDULE - 16		
OTHER INCOME		
Interest received (Gross) (TDS Rs 132903 Previous Year Rs. 124717)	626	782
Dividend - Trade Investments	-	-
- Other Investments	70	89
Income from Services	-	3,194
Misc. Income	5,735	52,674
Profit on Sale of Fixed Assets	47,425	-
Profit on Sale investment	3,171	-
Foreign Exchange Fluctuation	57	-
Sundry Credit balance written back	25,393	99
Total..	82,477	56,838



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	For the year ended 31-03-2007	For the year ended 31-03-2006
SCHEDULE - 17		
INCREASE/(DECREASE) IN STOCK		
CLOSING STOCK:		
Finished Goods	86,451	105,778
Semi-finished Goods	345,150	320,795
Work-in-progress	1,365	3,466
Total.. {A}	432,966	430,039
OPENING STOCK:		
Finished Goods	105,778	45,950
Semi-finished Goods	320,795	325,391
Work-in-progress	3,466	3,466
Less : Obsolete Stock written off	(2,798)	-
Total.. {B}	427,241	374,807
Increase / (Decrease) in Stock (A - B)	5,725	55,232
SCHEDULE - 18		
CONSUMPTION OF RAW MATERIALS & PURCHASE FOR RESALE		
OPENING STOCK		
Distillery	85,058	84,417
Goods Purchased for Resale	1,526	2,528
Glass	13,592	15,183
Brewery	1,082	1,082
Timber	2,749	2,749
Less : Captive Consumption	(2,749)	-
Paper	6,698	6,698
Systems	387	387
Less : Obsolete Stock of Raw Material written off	(387)	-
Total.. {A}	107,956	113,044
ADD: PURCHASES		
Distillery	239,727	288,274
Glass	104,602	95,805
Contract	23,088	-
Purchase for Resale	634	-
Total.. {B}	368,051	384,079

KHODAY INDIA LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	For the year ended 31-03-2007	For the year ended 31-03-2006
LESS: CLOSING STOCK		
Distillery	80,636	85,058
Glass	16,038	13,592
Brewery	1,082	1,082
Goods Purchased for Resale	176	1,526
Timber	-	2,749
Paper	-	6,698
Systems	-	387
Total.. {C}	97,932	111,092
Consumption and purchase for resale (A+B-C)	378,075	386,031

SCHEDULE - 19

MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES:

Power, Fuel & Lighting Charges	61,581	63,648
Rent	14,305	11,121
Rates & Taxes	20,527	27,526
Insurance	2,609	4,172
Repairs & Maintenance :		
- Electrical	692	912
- Plant & Machinery	7,451	3,855
- Buildings	2,393	1,614
- Vehicles	19,338	12,505
- Others	6,067	3,779
Freight, Octroi & Storage Exps	39,785	34,336
Excise Establishment Charges	184	923
Lease Rent	13,592	13,598
Travelling & Conveyance	21,943	31,168
Printing & Stationery	2,573	2,680
Postage, Telephone & Telegram	8,621	22,474
Books & Periodicals	217	163
Security Service Charges	8,486	8,609
Legal & Professional Charges	19,867	21,043
Directors Sitting Fees	17	21



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

[Rupees in Thousands]

PARTICULARS	For the year ended 31-03-2007	For the year ended 31-03-2006
Auditor's Remuneration		
- For Statutory Audit	300	300
Cost Audit Fees	20	43
Donation	68	84
Commission & Discount on Sales	27,302	15,190
Sales Promotion	12,444	9,144
Advertisement	1,988	1,951
Service Charges	3,698	70,505
Miscellaneous Expenses	7,371	5,373
Share of Loss in Partnership Firm	575	564
Irrecoverable advances written off	4,953	-
Bad Debts	1,460	-
Obsolete Stock written off	3,185	-
Compensation Paid	26,816	-
Exchange Variation	-	1,208
Deferred revenue expenses written off	2,819	15,006
Total..	343,247	383,515
 SCHEDULE - 20		
PERSONNEL EXPENSES		
Salaries, Wages, Gratuity, Bonus and leave encashment	79,163	128,017
Staff Welfare Expenses	9,311	11,183
Contribution to P.F. and Other Funds	5,153	7,100
Total..	93,627	146,300
 SCHEDULE - 21		
INTEREST & BANK CHARGES :		
INTEREST		
On Debentures	-	947
On Term Loan	30,995	41,576
On Others	87,616	101,367
BANK CHARGES	4,545	2,654
TOTAL..	123,156	146,544

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

PARTICULARS

1 Significant Accounting Policies

(a) Accounting Convention

The Financial Statements have been prepared under the Historical Cost Convention except for certain assets which are revalued in accordance with the Generally Accepted Accounting Practices in India and they materially comply with the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

(b) Estimates and Assumptions

Preparation of Financial Statements require 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) Inventories

Inventory of raw material, stores, spares, materials in transit, work in progress, finished goods – both manufactured and traded are valued at lower of cost or net realisable value.

The cost is calculated on First-in First-Out basis and comprises of expenditure incurred in the normal course of business in bringing such inventory 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 allocation of appropriate overheads based on normal level of activity.

(d) 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) 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 is reckoned as an appropriation.

(f) 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.

iii. Extra Ordinary items:

Extraordinary items are accounted in accordance with Accounting Standard - 5

(g) Depreciation Accounting

Depreciation has been provided on fixed assets at the rates prescribed in Schedule XIV to the Companies Act 1956, on written down value method except for Plant & Machinery and Building of Distillery Division acquired



SCHEDULE - 22

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

PARTICULARS

prior to 31st March 1999 and the assets of Paper Division where the depreciation has been provided on straight line basis. 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. Plant & Machinery costing Rs.5,000/- and less is depreciated in full.

Certain Fixed Assets has been revalued during the year 1998-99. The depreciation charged on such Revalued assets is transferred from Revaluation reserve to the Profit & Loss Account.

(h) Revenue Recognition

- (i) Sales are recognised on accrual basis. Sales are net of returns, 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 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) Accounting for 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 till the date of commencement of production.

Assets acquired under hire purchase are capitalised to the extent of the principal value.

(j) Accounting for Effect in Foreign Exchange Rates

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Foreign currency monetary assets and liabilities on the balance sheet date are translated at year end exchange rates. Exchange difference arising on settlement of forex transactions and translation of monetary items is recognized as income or expense in the year in which they arise. However exchange difference in respect of settlement of liabilities for acquisition of fixed assets is adjusted in carrying cost of the related fixed assets.

(k) Accounting for Investments

- i. Long term investments are valued at cost. Provision is made to recognize a decline other than a temporary decline, in the value of long-term investments.
- ii. Current Investments are stated at lower of cost and fair market value.

(l) Accounting for Employee benefits

The company makes regular contribution to provident fund / superannuation / employee state insurance and these contributions are charged to profit and loss account.

Liability for gratuity is provided in the accounts on the basis of actuarial valuation at the end of the year and charged to profit and loss account. Employees Leave Encashment Benefit payable is accounted on accrual basis, using the last drawn pay at the year end as the basis of quantification.

(m) 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.

KHODAY INDIA LIMITED

SCHEDULE - 22

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

PARTICULARS

(n) Segment Reporting

The company has considered business segment as reporting segment and accordingly identified Liquor, Glass, Contract and Contact centre as reporting business segments. 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 from outside India.

(o) Related Party Transactions

The related party relationships has been classified under the heads Associates, Key Management Personnel, Relatives of Key Management Personnel and parties exercising significant Influence.

(p) 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) Earning per Share

i. Basic earning per share has been computed with reference to Weighted Average number of Shares outstanding at monthly rests.

ii. Diluted Earnings per share has been computed based on the fully paid-up value of the shares issued.

(r) Accounting for Taxes on Income

Tax expense comprises of current, deferred and fringe benefit tax. Current income-tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred income-tax reflects the impact of timing difference between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the Tax Laws and rates that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised on brought forward unabsorbed depreciation and brought forward losses only if there is a virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits. Deferred tax asset of earlier years is reassessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which, such deferred tax assets can be realised.

(s) Intangible Assets

Deferred Revenue expenditure incurred up to 31st march 2003 is amortised and being written off over a period of its benefits (quantified as five years). Similar expenditure incurred on or after 1st April 2003 can no longer be considered as an intangible asset, in terms of its definition contained in Accounting Standard -26 issued by Institute of Chartered Accountant of India, and is being written off as current expenses.

(t) Impairment of Asset

An asset is treated as impaired when the carrying cost of the assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which the 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 value.

(u) Provision , Contingent Liabilities and Contingent Assets

i. A present obligation, as a result of past events which could be reliably estimated, is provided in the accounts, if it is probable that there will be an outflow of resources.

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SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

PARTICULARS	2006 - 2007	2005 - 2006
ii. Contingent liabilities are not recognized, but are 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 provision for those doubtful of recovery.		
(w) Expenditure		
Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.		
(x) Excise Duty		
Excise duty recovered is 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 in the Profit and Loss account and included in the valuation of Finished Goods.		

2. Previous year figures have been re-grouped / re-arranged wherever necessary to conform with the current year's presentation

3. Earnings Per Share

Profit after Taxation as per Profit and Loss Account	100,359	(139,165)
Total Number of Shares (A)	37,591,237	37,591,237
Earnings per Share – Basic (in Rs.) [PAT/(A)]	2.67	(3.70)
Earnings per Share – Diluted (in Rs.) [PAT/(A)]	2.67	(3.70)
Face Value per Share (in Rs.)	10.00	10.00

4. 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	2,520	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	658	6,536
Later than 1 year & not later than 5 years	1,317	28,14
Later than 5 years	Nil	Nil

5. In accordance with the Accounting Standard - 22 "Accounting for Taxes on Income" the company reviewed the deferred tax asset and liabilities. The timing difference relates mainly to depreciation and carry forward losses for the period upto 31st March 2007 resulting in a net deferred tax asset. As a measure of prudence, this net deferred tax asset has not been recognised in the Financial statement. The details are as below :-

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS	2006 - 2007	2005 - 2006
Deferred Tax - Net		
Deferred Tax Liabilities:		
On Depreciation differences	11,586	3,087
On Deferred Revenue Expenditure	958	1,897
On others	11,073	2,837
TOTAL [A]	25,617	7,821
Deferred Tax Assets:		
On provision for Entry Tax / Sales Tax	1,686	803
On Employees Benefits	17,946	14,094
On unabsorbed tax losses and depreciation	25,333	49,234
On others	-	13,629
TOTAL [B]	44,965	77,760
Net Deferred Tax Liabilities / [Assets] [A] - [B]	(19,348)	(69,939)

6. SEGMENT REPORTING

The Company has considered Business Segment as reporting segment and accordingly identified Liquor, Glass, Contract and Contact centre as its 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. As interest cost has been included in the cost of inventory, the same has been considered as an expense in the liquor segment. The segment result has been arrived after considering the interest expense.

INFORMATION ABOUT PRIMARY BUSINESS SEGMENTS

[Rupees in thousand]

(A) PRIMARY INFORMATION

	2006 - 2007			2005 - 2006		
	External	Inter-Segment	TOTAL	External	Inter-Segment	TOTAL
SEGMENT REVENUE						
Liquor	1,246,061	81	1,246,142	1,183,608		1,183,608
Glass	88,284	54,649	142,933	20,647	70,500	91,147
Contact Centre	-	-	-	157,723	-	157,723
Contract	252,000	-	252,000	-	-	-
Others	6,533	-	6,533	234	-	234
Total Segment	1,592,878	54,730	1,647,608	1,362,212	70,500	1,432,712
Eliminations			(54,730)			
Total Revenue			1,592,878			1,432,712

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SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS	2006 - 2007	2005 - 2006
SEGMENT RESULTS		
Liquor	78,029	(40,239)
Glass	(116,925)	(61,375)
Contact Centre	(74,025)	(30,815)
Contract	228,912	-
Others	(2,864)	(4,563)
Total	113,127	(136,992)
Unallocated Income net of unallocated expenditure	77,630	(929)
Operating Profit	190,757	(137,921)
Interest Expenses	(77,719)	-
Interest/Dividend income and surplus on disposal of investments	3,867	782
Profit before Tax	116,905	(137,139)
Taxation for the year (including adjustment for previous years)	(15,631)	(1,038)
Net Profit after Tax / (Loss)	101,274	(138,177)

[B] OTHER INFORMATION

Particulars	2006 - 2007		2005 - 2006	
	Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities
SEGMENTS				
Liquor	2,773,917	1,903,794	1,121,734	1,433,916
Glass	66,804	535,559	80,295	68,88
Contact Centre	300,412	360,875	390,385	149,081
Contract	232,038	-	3,911	-
Others	58,743	92,348	64,070	21,862
Unallocated	-	43,980	-	-
Total	3,431,913	2,936,555	1,660,395	1,673,739

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

PARTICULARS	2006-07			2005-06		
	Depreciation	Capital Expenditure	Non cash expenses other than Depreciation	Depreciation	Capital Expenditure	Non cash expenses other than Depreciation
Liquor	13,470	7,539	-	14,845	878	-
Glass	6,211	3,151	-	7,378	1,500	-
Contact Centre	42,837	3,342	2,819	28,378	427	15,006
Contract	786	-	-	705	-	-
Others	1,444	-	-	1,444	-	-
Grand Total	64,747	14,033	2,819	52,750	2,805	15,006

	2006-07	2005-06
Total Assets Exclude INVESTMENTS		
Liquor	622,792	623,409
Others	21	21
FIXED DEPOSITS WITH BANK		
Liquor	16,666	13,004
Glass	600	600
Contact Centre	155	155
Others	168	168

INFORMATION ABOUT GEOGRAPHICAL SEGMENTS

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 operate in two geographical areas namely India and Outside India. The operations of the group comprise revenue from Outside India segment contributing to 0.04% of the total segmental revenue.

Segment Revenue

India	1,592,371	1,274,990
Outside India	507	157,723
TOTAL	1,592,878	1,432,713

Segment Assets

India	3,431,913	1,660,395
Outside India	-	-
	3,431,913	1,660,395

Capital Expenditure

India	14,033	2,805
Outside India	-	-
	14,033	2,805



SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

PARTICULARS

7. Related Party Disclosures

The list of related parties as identified by the Management is as under:

(a) Associates:

Acqua Borewell 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 Investments 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 Industries (Ropar) Private Limited
Khoday Powergen India Limited
Khoday Times Private Limited
Khodays Breweries Limited
Khodayss Technologies Limited
L.K. Power Corporation Limited
Khoday Properties Private Limited
L.K. Trust

KHODAY INDIA LIMITED

SCHEDULE - 22

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

PARTICULARS

Narmada Distilleries Private Limited
North India Distilleries Private Limited
Ram Mohan & Company Pvt Limited
Solar Cells Private Limited
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:

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

(c) Relatives of Key Management Personnel:

Shri K.L. Ramachandra - HUF
Shri K.L. Srihari - HUF
Shri K.L.A. Padmanabhasa - HUF
Shri K.L. Swamy - HUF
Shri K.H. Gurunath
Shri.K.L. Narayanasa
Shri.K.R. Nithyanand
Shri.K.R. Dayanand
Shri.K.H. Radheshyam
Shri.K.H.Srinivas
Shri K.P.Ganashayam
Shri K.S.Brijmohan
Shri K.S.Girdhar



SCHEDULE - 22

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

PARTICULARS

Smt. Rajalakshmi Srihari
Smt. Gulab P Khoday
Smt Lalitha Swamy Khoday
Smt Padma N Khoday

(d) **Significant Influence**

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

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

The following transactions were carried out with the Related Parties during the year

PARTICULARS	For the Year 2006 - 2007				For the Year 2005 - 2006			
	Associates	Key Management Personnel	Relatives of Key Managerial Personnel	Significant Influence	Associates	Key Management Personnel	Relatives of Key Managerial Personnel	Significant Influence
(a) Incomes:								
1. Sale of goods/Services	7,085	-	-	2,407	8,831	-	-	2,436
(b) Expense								
1. Purchase of goods/services	32,408	-	-	1	29,190	-	-	3
2. Leasing arrangements	9,936	-	1,080	5,000	9,942	-	1,080	5,000
3. Interest Paid	-	-	5,165	3,828	-	-	3,751	3,753
(c) Investment in Partnership Firms	-	-	-	620,619	-	-	-	621,193
Balance Outstanding (Net) as on 31st March 2007	247,343	109,498	55,106	247,509	2,911	34,507	51,689	324,039
	Cr	Cr	Cr	Dr	Cr	Cr	Cr	Dr
Others:								
1. Guarantee & Collateral obtained from *	48,403	-	-	-	316,877	-	-	-

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

Note: No amount has been written off or written back during the year in respect of amounts due from or to related parties.



SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

Sl.No.	PARTICULARS	2006 - 2007	2005 - 2006		
8. Contingent Liabilities					
1.	Claims against the company not acknowledged as debts	10,577	2,14,676		
2.	(i) Disputed Sales Tax not provided	33,585	25,360		
	(ii) Disputed Income Tax not provided	53,059	6106		
3.	Guarantees/Counter-guarantees given to Bank/ Financial Institutions / Government Departments	15,500	13000		
9.	Certain confirmation of balances from Sundry Debtors, Loans and advances, Deposits and Sundry Creditors are awaited. The accounts reconciliations of some parties where confirmation have been received are in progress. Adjustments for differences, if any, arising out of such confirmations/ reconciliations would be made in the accounts on receipt of such confirmations and reconciliations thereof. The Management is of the opinion that the impact of adjustments, if any, is not likely to be significant. In the opinion of the Management all current assets, loans and advances including advances in capital accounts would be realised at the values at which these are stated in the accounts, in the ordinary course of business.				
10. Sales Turnover:					
	Unit	Qty	Value	Qty	Value
Distillery – IML	B.L	3,462,369	657,635	3,148,677	619,788
Glass	M.T	11,004		7,224	
Less: Captive Consumption		4,249	–	–	
		6,756	88,284	7,224	91,148
RCA - IML	B.L	2,889,398	588,426	3,010,942	563,820
Contract			252,000		–
Others			6,533		234
Total Sales			1,592,878		1,274,990
Less: Excise Duty			561,323		566,782
Net Sales			1,031,555		708,208
Service Income			–		157,723
Total Income			1,031,555		865,931

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

Sl.No.	PARTICULARS		2006 - 2007		2005 - 2006	
11.	Particulars of Materials Consumed:					
	Unit	Qty	Value	Qty	Value	
(a) Distillery						
Barley Malt	Kgs	1,599,825	38,434	1,122,825	20,699	
Rectified Spirit	Lts	2,807,555	52,470	2,611,090	53,966	
Empty Glass Bottles	Nos.	6,294,692	35,980	6,182,707	34,528	
Cartons	Nos.	1,128,407	29,411	2,318,654	30,032	
Others			23,695		26,767	
			179,990		165,992	
Less: Captive consumption			34,294		-	
			145,696		165,992	
(b) Glass						
Soda Ash	M.T	500	7,427	892	13,786	
Cullets	M.T	9,019	23,259	5,823	13,315	
Silica / Quartz Sand	M.T	1,510	2,108	2,650	2,944	
Furnace Oil	Lts	2,712,540	55,010	2,476,740	48,849	
Others			14,383		18,502	
			102,187		97,396	
Less: Captive consumption			31		-	
			102,157		97,396	
(c) RCA						
Rectified Spirit	Lts	1,572,815	44,048	1,521,895	47,976	
Empty Glass Bottles	Nos.	14,301,726	35,127	13,979,620	36,808	
Cartons	Nos.	339,166	7,451	346,511	7,226	
Others			32,232		29,630	
			118,859		121,640	
Less: Captive consumption			20,405		-	
			98,453		121,640	
(d) Paper						
	M.T.	593	6,698			
			6,698			
(e) Contract						
	-	-	23,088	-	-	
			23,088		-	
(f) Purchase of Goods for resale						
Distillery - IML	B.L	16,200	1,984	2,879	1,003	
			1,984		1,003	
Total Consumption and Purchase for Resale			378,075		386,031	

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SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

Sl.No.	PARTICULARS	2006 - 2007		2005 - 2006	
12. Inventory – Finished Goods:					
	Unit	Qty	Value	Qty	Value
Opening Stock					
Distillery - IML	B.L	380,331	54,771	235,336	25,184
Glass	M.T	2,237	38,298	895	12,145
Paper	M.T	28	881	28	881
RCA - IML	B.L	68,356	11,130	72,918	7,042
Contact Centre		-	698	-	698
			<u>105,778</u>		<u>45,950</u>
Closing Stock					
Distillery - IML	B.L	400,410	50,565	380,331	54,771
Glass	M.T	1,229	16,146	2,237	38,298
Paper	M.T	24	440	28	881
RCA - IML	B.L	120,614	19,300	68,356	11,130
Contact Centre		-	698		698
			<u>86,451</u>		<u>105,778</u>
13. Licensed & Installed Capacity					
Licensed Capacity					
Distillery			NA		NA
Brewery			NA		NA
Glass			18000 M.T		18000 M.T
Paper			10000 M.T		10000 M.T
RCA			NA		NA
Contact Centre			NA		NA
Contract			NA		NA
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
Glass			21900 M.T		18000 M.T
Paper			1000 M.T		1000 M.T
RCA			NA		NA
Contact Centre			NA		NA
Contract			NA		NA

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

[Rupees in Thousands]

Sl.No.	PARTICULARS	2006 - 2007	2005 - 2006
14. Production			
Particulars	Unit	Quantity	Quantity
Distillery	B.L	3,474,575	3,298,119
Less: Breakages	B.L	(8,327)	(4,447)
Glass	M.T	9,996	8,566
Paper	M.T	-	-
RCA - IML	B.L	2,941,656	3,006,380
15. CIF value of imports		Value	Value
Raw Materials		1,557	4,124
16. Consumption of Imported and indigeneous Materials & Components:			
Imported	0.16%	605	10%
Indigeneous	99.84%	377,470	99.90%
			3,774
			382,257
17. Expenditure in Foreign Currency			
For Travel		1,324	4,384
Communication Charges		826	7,552
18. Earnings in Foreign Currency			
FOB Value of Exports		507	157,723
19. Payment made or provided for Directors			
Director's sitting fees		17	21
Managerial Remuneration		*	*

* Remuneration to Manegerial personel has not been provided.

20. Investment in Firms : Lakshmi Estate

Name of the Partners	Total Capital	Share of Partners	Total Capital	Share of Partners
1. Khoday India Ltd	620,619	75.00%	621,193	75.00%
2. K.L. Srihari - HUF	50,943	6.25%	50,991	6.25%
3. K.L. Swami - HUF	51,716	6.25%	50,991	6.25%
4. K.L. Ramachandra - HUF	50,943	6.25%	50,991	6.25%
5. K.L.A. Padmanabhasa - HUF	50,943	6.25%	50,991	6.25%
TOTAL	825,165	100%	825,157	100%



SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

Sl.No.	PARTICULARS	2006 - 2007	2005 - 2006
21.	Loans and Advances include Rs. 250,000 thousands towards Lease Deposit given to firms in which some of the Directors are Partners.		
22.	During the year the Company has settled the dispute with M/s Bagga Millenium Liquors India Pvt Ltd, Hyderabad with whom they had entered into marketing & selling agreement. As per the terms of the settlement the Company has agreed to pay a sum of Rs.26,816 Thousands towards full settlement of all the claims and counter claims; and the same has been charged off as expense of the year.		
23.	The Company has determined the Liability of Gratuity payable to its employees as per the actuarial valuation and is in the process of funding the amount with Life Insurance Corporation of India.		
24.	Fixed Assets includes a building with a WDV of Rs. 15,545 thousand, the title of which is under dispute before the Debt Recovery Tribunal. Pending resolution of this dispute, the company continues to reckon the Building in its financial statement.		
25.	Fixed Deposit of Rs.13,668 Thousands has been pledged with the Banks towards margin money for issuance of bank guarantee.		
26.	Information relating to small-scale units having business transaction with the Company is furnished based on the information available and the amount outstanding for more than 30 days is Rs. 5,889 thousands.		

Aditya Enterprises

Geethanjali Graphics

Karanja Industries Pvt Ltd.,

Naveen Prakashna

Shree Shree Lakshmi Venkateshwara Swamy Industries

Sri Balaji Trading Corporn.,

Super Graphic 'N' Prints

Victory Glass & Inds. Ltd.

Zenith Die Makers Pvt Ltd.

Dhanalakshmi Minerals

Emtel Glass Engineering

Paras Mineral Industries

Ramya Minerals

Shanthi Silicon Traders

Sudha Minechem Industries

Apex Industries

KHODAY INDIA LIMITED

SCHEDULE - 22

Schedule forming part of Balance Sheet and Profit and Loss Account

Significant Accounting policies & Notes on Accounts

SI.No.	PARTICULARS	2006 - 2007	2005 - 2006
	Chembor Engineering Work		
	Everest Engineers		
	IS Engineers		
	Sudharshan Mould		
	Ambica Hardware		
	Esscee Engineering Company		
	Giliyal Industries		
	Govindaiah		
	G. Shama Rao		
	I.S.Moulds & Spares		
	Jai Maruthi & Co.		
	Jaimaruti Packaging		
	K.Chandu Rao		
	Kirti Printers		
	Maleeka Enterprises		
	Shreno Ltd.		

27. Government securities of Rs.100 thousands have been lodged with the excise department.
28. In respect of the bottling arrangement entered into by the company, there are claims to an extent of Rs.7,828 thousand against the Company. The Company has also preferred certain counter claims against the bottler. Necessary adjustment will be made as and when the claims and counter claims are settled.
29. Consequent to the revaluation of certain fixed assets carried out in past, there is an additional charge of depreciation amounting to Rs. 27,353 thousands (Previous year Rs. 27,353 thousands) and an equivalent amount, has been withdrawn from Revaluation Reserves and credited to the Profit & Loss Account.

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 : 31-10-2007



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

[Rupees in Thousands]

PARTICULARS	2006-2007	2005-2006
A. Cash flow from Operating Activities		
Net Profit/(Loss) before Tax	116,905	(137,139)
Adjustments for :		
Depreciation	64,747	52,750
Profit on Sale of Investments	(3,171)	-
Profit on sale of Fixed Assets	(47,425)	-
Interest Income	(626)	(782)
Dividend Income	(70)	(89)
Unrealised foreign exchange gain	(57)	-
Interest & Bank Charges	123,156	146,544
Deffered Revenue Expenditure Written off	2,819	15,006
Sundry credit balances written back	(25,393)	(99)
Irrecoverable advances written off	4,953	-
Bad debts written off	1,460	-
Obsolete Stock written off	3,185	-
Loss from Lakshmi Estate (Partnership Firm)	575	564
Operating Profit before Working Capital Changes	241,057	76,754
Adjustments for:		
(Increase)/Decrease in Sundry Debtors	(16,283)	47,094
(Increase)/Decrease in Inventories	5,788	(53,557)
(Increase)/Decrease in Loans & Advances	84,889	122,015
(Increase)/Decrease in Other Current Assets	232	(51)
Increase/(Decrease) in Other Current Liabilities	148,051	131,776
Cash Generated from Operations	463,735	324,032
Direct Taxes Paid	(14,533)	(2,827)
Fringe Benefit Tax paid	(2,546)	(1,041)
Net Cash from / (Used in) Operating Activities	446,656	320,164

KHODAY INDIA LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

[Rupees in Thousands]

PARTICULARS	2006-2007	2005-2006
B. Cash flow from Investing Activities		
Purchase of Fixed Assests	(14,033)	6,265
Sale of Fixed Assets	65,250	-
Proceeds from Sale of Investments	3,214	-
Interest Income	626	782
Dividend Income	70	89
Net Cash from / (Used in) Investing Activities	55,127	7,136
C Cash flow from Financial Activities		
Proceeds from Long Term Borrowings	71,780	-
Repayment of Long Term Borrowings	(374,346)	(162,278)
Dividend Payment relating to earlier years	(248)	-
Interest & Bank Charges	(123,156)	(146,544)
Net Cash flow from/(Used in) Financing Activities	(425,971)	(308,822)
Net Cash Flows during the year {A+B+C}	75,813	18,478
Cash & Cash Equivalents(Opening Balance)	48,326	29,848
Cash & Cash Equivalents (Closing Balance)	124,139	48,326
Net Increase / (Decrease) in Cash & Cash equivalents	75,813	18,478

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 outflow.
3. Previous Year's figures have been re-grouped/re-arranged wherever necessary to conform to the current Year's Presentation.



**BALANCE SHEET ABSTRACT AND COMPANY'S
GENERAL BUSINESS PROFILE**

I. Registration Details

Registration No. :

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

 State Code :

0	8
---	---

Balance Sheet Date

Date	Month	Year								
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>3</td><td>1</td></tr></table>	3	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>0</td><td>3</td></tr></table>	0	3	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>0</td><td>0</td><td>7</td></tr></table>	2	0	0	7
3	1									
0	3									
2	0	0	7							

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	6	8	6	6	8	9
---	---	---	---	---	---	---

Total Assets

1	6	8	6	6	8	9
---	---	---	---	---	---	---

A. Sources of Funds

Paid-up Capital

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

Reserves & Surplus

	7	6	2	6	6	8
--	---	---	---	---	---	---

Secured Loans

	3	8	4	5	0	9
--	---	---	---	---	---	---

Unsecured Loans

	1	6	3	6	0	0
--	---	---	---	---	---	---

Deferred Tax

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

B. Application of Funds

Net fixed Assets

	6	2	5	4	1	6
--	---	---	---	---	---	---

Capital Work In Progress

		3	7	6	9	6
--	--	---	---	---	---	---

Investments

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

Net Current Assets

	3	9	7	9	4	5
--	---	---	---	---	---	---

Miscellaneous Expenditure

			2	8	1	9
--	--	--	---	---	---	---

Accumulated Losses

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

KHODAY INDIA LIMITED

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

Turnover

1	5	9	2	8	7	8
---	---	---	---	---	---	---

Profit Before Tax

	1	1	6	9	0	5
--	---	---	---	---	---	---

Earning Per Share (Rs. Ps.)
(Basic)

			2	.	6	7
--	--	--	---	---	---	---

Earning Per Share (Rs. Ps.)
(Diluted)

			2	.	6	7
--	--	--	---	---	---	---

Total Expenditure

1	0	0	2	8	5	2
---	---	---	---	---	---	---

Profit After Tax

	1	0	0	3	5	9
--	---	---	---	---	---	---

Dividend Rate %

						1	0
--	--	--	--	--	--	---	---

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES

Product Discription

Item code No. (ITC Code)

IML

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

BEER

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

PAPER

(Uncoated Paper & Paper Boards)

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

K.L.RAMACHANDRA
Chairman

K.L. SRIHARI
Vice-Chairman &
Managing Director

Place: Bangalore
Date : 31-10-2007

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

Forty First
Annual General Meeting
17th Dec. 2007 at 12.00 noon
Shravanthi Kalyana Mantapa,
Opp. Adiga's Hotel,
Kanakapura Main 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

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
Shravanthi Kalyana Mantapa, Opp. Adiga's Hotel, Kanakapura Main Road, Bangalore - 560 078 on Monday the 17th Dec. 2007
at 12-00 noon and at any adjournment thereof.

Date :

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

