

KSE LIMITED

**Chairman's Address by Sri. M.C. Paul at the 48th Annual General Meeting
on 31st July, 2012 at 3.00 P.M.**

Respected Directors and my dear Shareholders,

A very warm welcome to each one of you to this 48th Annual General Meeting of your Company.

Global economic environment remained fragile throughout the financial year 2011-12. In fact, it turned sharply adverse in September 2011, due to the turmoil in the euro zone and concerns about the fading prospects for the U.S. economy. The global business and consumer confidence declined significantly in the second half of the financial year 2011-12.

India's economic growth rate slowed to 6.5 per cent in 2011-12 from 8.4 per cent in the previous two fiscals mainly due to steep decline in the Manufacturing sector growth rate. The Industrial production growth rate dropped to 2.8% for 2011-12 from 8.2% in 2010-11. WPI Inflation, which remained around 9.0% till November, 2011 eased subsequently and declined to around 7.00% towards the year end. The Liquidity conditions worsened on account of large borrowing by banks from RBI through Repo window and interest rates hardened during the year 2011-12 due to persistent high Inflation. Growing Trade deficits and capital outflows by Foreign Institutional Investors (FIIs) put pressure on Rupee which depreciated by 12.5% against USD by the end of March 2012 compared to end of March, 2011. The year also witnessed fiscal slippages and increase in Government borrowing, putting pressure on inflationary tendency and interest rate.

I assume that all of you would have gone through the annual report already circulated.

In the year 2011-12 the turnover of the Company improved by 19 % compared to previous year. In Rupee terms the turnover improved to Rs. 542 crores from Rs. 454 crores in the previous year. There is considerable volumewise growth for compound cattle feed. The volume of cattle feed sales registered a year to year growth of 14 % from 3.20 lakhs tonnes in year 2010-11 to 3.66 lakhs tonnes in year 2011-12.

Cont .. 2

The demand for our feed is growing at fast pace and in fact now we are unable to meet the demand from the market, especially from Northern part of Kerala. To partly solve the shortage in production for meeting the enhanced demand, we have converted the mash feed plant at Palakkad to a pellet feed plant enhancing the daily capacity to 100 MT, which has now become operational. We had made arrangement with another feed manufacturer, to produce our feed in their plant in Kanjikode and distribute the same from there. Further, we have signed a Memorandum of Understanding for manufacture of feed under third party processing agreement in Kochuveli near Thiruanthapuram, where we can start production in year 2013 beginning. In order to enable future expansion of our Irinjalakuda Unit, your Company has purchased around 72 ares of land, adjacent and attached to the existing properties of Irinjalakuda Unit, by investing Rs. 5.60 Crores.

You would have noticed that the net profit after tax for the year 2011-12 has improved by 132 % to Rs. 10.45 crores compared to previous year PAT of Rs. 4.50 crores. Based on the profits for the year 2011-12 your Board of Directors have recommended a dividend of 110 % on the equity capital of the Company ie Rs. 11 per share. As stated in the Chairman's Speech of last year, year 2011-12 was a favourable year. We could generate considerable revenue from the Animal Feed Division, which constitutes more than 80 % of our total business volume. The Animal Feed Division alone generated a profit of Rs. 15.34 crores against a profit of Rs. 3.98 crores in the previous year. An improvement of nearly four times profits of last year, which has helped us to place before you good overall working results. In 2011-12, prices of all major ingredients eased and stabilised and was more or less even through out the year. We had to resort steep increase in the selling price of cattle feed in year 2010 to keep up with the soaring prices of cattle feed. However, we could keep our prices for cattle feed more or less at same levels in year 2011-12. As the price of raw material was stable, we could earn good profits in year 2011-12..

In February, 2012 there was a steep increase in the railway freight, just before the annual budget, having an effect of around Rs. 500 per tonne. However, the price of all major ingredients for cattle feed is moving upward steadily from March, 2012 onwards. We have also increased the selling price of cattle feed by Rs. 1000 in two stages, once in May, 2012 and another in July, 2012. The ingredient prices are expected to further firm up, and we may have to adjust the selling price further.

Reports are appearing that through out the country, the monsoon is less by 30 % than the normal level in June, 2012 and in July, 2012 also the rain is far less than the normal. The sowing of Kharif Crop has been delayed, which has to be completed otherwise by 15th July. It is feared that a delayed sowing will reduce the crop yield. The expected production levels for grains, pulses and oil seeds through out the world are also reported to be grim. All these will lead to shortage of supply in grains, pulses and oil seeds which in turn will lead to further soaring in the prices of our ingredients.

Another aspect of failure in monsoon is the falling water levels in major reservoirs through out the Country, except few States. It has already been reported that the water-levels in the reservoirs in Kerala are very grave, especially in Idukki Dam, main source of power in Kerala. The water available in the dams will meet only few days' requirement for generation of electricity and the State is going towards a period of severe power cuts. In such a situation, we may have to depend on captive generated power or Thermal power, which are very costly and may add to our cost by around Rs. 250 per tonne of cattle feed. Though the current situation is very grim for the industry as a whole, we are hopeful of passing on the increase in input cost by suitably increasing the selling price, as the demand for our cattle feed is well above our production capacities.

We could improve the processing of copra cake by 17.75% to 73000 tonnes during 2011-12 from 62000 tonnes in the previous year. However, there was slippage in the profitability in the cake processing division, due to the sudden fall in the price of coconut oil by around 40 % from Rs. 100 per kg. to Rs. 60 per kg., while the average cost of cake in our hand was high. Out of the imports, around 10000 tonnes were in stock when the coconut oil experienced the fall in price from Rs. 100 per kg. This was contrary to our expectation and the profitability has been seriously affected. The profit of Cake processing division was Rs. 2.92 crores in year 2011-12 compared to previous year profit of Rs. 4.81 crores.

The Dairy unit has started yielding revenues. In the earlier year, the dairy division generated Rs. 145.03 lakhs as profit, and in year 2011-12 the profit was Rs. 96.99 lakhs. Due to stiff competition in the ice cream sector, especially from small players, we could not improve the volume. The capacity of the new ice cream plant at Vedagiri, commissioned in March, 2011, is under-utilised now. We are taking steps to improve the sale volume of ice cream in that region by appointing new dealers. Vedagiri Ice Cream Plant, being under-utilised, has incurred losses, especially because of depreciation charge, which has reduced the margins of Dairy Division.

Due to inflationary pressure, the interest costs on funds had gone up during the year 2011-12. After ten consecutive hikes in row, between March 2010 and October 2011, the Reserve Bank of India (RBI) in April, 2012 cut the repo rate by 50 basis points from 8.50 per cent to 8.00 per cent but did not touch the cash reserve ratio, which remains at 4.75 per cent. In February, 2010, the repo rate was at 4.75 per cent, which had gradually increased up to 8.50 % and now reduced to 8.00 %. The Reserve Bank of India in June, 2012 left its repo rate and cash reserve ratio unchanged at 8.0 per cent and 4.75 per cent, respectively, disappointing industry that had been expecting a cut in either interest rates or CRR, and in some cases, both. Repo is the rate of interest at which banks borrow money from RBI — the interest rate that the RBI charges when it provides liquidity to banks. This is a reference rate used by banks to lend to their customers like companies and individuals. CRR is the portion of deposits that banks must keep with the reserve bank. The lending rates of Banks and Financial Institutions also follow these rates. We are trying to cut down our utilisation of borrowed funds to the minimum, by keeping optimal stock and managing with internal accruals.

After the previous Annual General Meeting the rupee had depreciated over 20 % against US Dollar and now the rate is over Rs. 55 a dollar. This is deterrent to us for import of copra cake, as the cost of imports had gone up. However, we cannot rule out imports and rely only on local availability of copra cake, as the local supply is insufficient for our requirement, at times. Another issue is that the imported copra cake may not match certain qualitative parameters and will become difficult to process. We are trying to strike an optimum balance between local and imports, through our past experience, so that we can run the plants regularly.

The shares of KSE are permitted to be traded in the NSE Platform also on an arrangement with MSE from November, 2009. The shares of KSE Limited was traded between Rs. 200 and Rs. 250 for a Rs. 10 equity share during the last twelve months. The dismal situation in the equity market had not in any way affected our shares. It is now being traded around Rs. 240 a share. It is very heartening to note the confidence the shareholders has reposed on the Board and Management, which is evident from the market movements.

Policy of Government of Kerala to control the retail price of milk indirectly had deterred the farmers from rearing cattle, as per our earlier experience. From September, 2011, the milk price in Kerala has been increased by Rs. 5 per litre, which was a great relief to the farmers and the number of cattle in Kerala has improved as evidenced by the demand for our feed. However, the unbound increase in the price of raw materials from March, 2012, put pressure on us to increase the feed prices, which will affect the farmer unless the Government allow to increase the price of milk further. It is expected that the Government will take initiative to increase the retail price of milk shortly to pacify the dairy farming community.

The Government is extending rebate on cattle feed produced by Government agencies upto Rs. 100 per bag of 50 kg. The cattle feed subsidy of the Government is not available for feed manufactured by non-Government agencies and as such is not available for your Company. This will seriously affect our competing edge in terms of pricing compared with the other competing brands. However, we are ensuring the best quality standards for our feed and prompt supply followed with the best after sale service. I am happy to inform you that we have not experienced any onslaught on the volume of our cattle feed sales and the demand for our feed is growing ahead of our production capacity.

The Government had imposed 1 % Excise Duty on ice cream with effect from 1st March, 2011. This has been increased to 2 % from 17th March, 2012. If the Government raises the duty further, that will seriously affect our margins on ice cream.

Your Company has set its targets at crossing 4,00,000 tonnes marks in its sales volume of cattle feed in year 2012-13, as we had touched 1,00,000 tonnes in the first quarter. We also expect that the turnover of the Company will cross Rs. 650 crores in the coming year.

After the previous Annual General Meeting, we had made several changes in the KS Park, to provide better services to the public. We had added nearly 50 cents of land to the Park from our lorry parking area to expand the area of the park. We have now added a new play station imported from China, costing nearly Rs. 10 lakhs, which has been well accepted by the children. This is evident from the encouraging increase in the number of persons visiting the park. We are also conducting several programmes for the benefit of children and adding more facilities to the information centre attached to the park, to encourage the children and for their personality development.

I had informed you in my earlier reports that we have won several awards over these years. The National productivity award is being received continuously for eleven years from year 1996-97 onwards and the SEA award for the highest processing of copra cake for the 21st time consecutively.

All these we could achieve through co-operation and collective decision making at all levels. I have to make a special mention of the Board of Directors who had given me all support in discharging my duties with their pragmatic approach.

I once again reiterate that the secret behind the uninterrupted growth of your Company is none other than the collective decision making and joint efforts by the Board of Directors, Chief General Manager, Corporate and Unit Managers, Officers and all other staff and workers of your Company. We assure that in future also we will put in our best efforts for the steady development of your Company.

We are taking all possible steps to have a smooth sailing for your Company in the prevailing economic conditions. I request the shareholders to give us strength to lead the Company through the challenging period. While seeking continued cooperation from the shareholders, I take this opportunity to thank each and every shareholder of the Company for the immense confidence bestowed upon us. I also thank all the employees, dealers, customers, suppliers and other agencies associated with us for their continued support and cooperation.

I also thank the Central Government, State Government, Government Agencies, Banks and the electronic and print media who are encouraging us to achieve new heights.

THANK YOU ALL.

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KSE LIMITED
MINUTES OF THE 48TH ANNUAL GENERAL MEETING

Nature of Meeting : Annual General Meeting
Venue : Registered Office, Irinjalakuda
Date : 31.07.2012 Time : 3.00 P.M.

Present

184 members were present in person and 15 persons representing proxies.

In Attendance

Mr. R. Sankaranarayanan, Company Secretary Cum General Manager (Finance)

Chairman

Sri M.C. Paul Chairman and Managing Director presided over the meeting.

Quorum

The Chairman declared that there is quorum for the meeting.

1. Chairman's Speech

Welcoming the members to the Annual General Meeting, he briefly passed through the Indian economy.

He informed that the turnover of the Company has increased by 19 % and that the volume of cattle feed sales registered a growth of 14 %. He added that the company had earned after tax profit amounting to Rs. 10.45 crores for the year 2011-12 and that considering the profits of year 2011-2012 the Board has recommended a dividend of 110 %.

He has informed the meeting that the prices of all raw materials are shooting up and is expected to further go up in the coming days as there is widespread shortfall in monsoon rain. The shortage in rain may also adversely affect power situation in the State.

He has informed that the demand for our cattle feed is more than what we can produce, and as such arrangement for production of cattle feed in a third party plant at Kanjikode from August, 2012 and at Kochuveli from early 2013 has been made. He has informed that the required adjustments in the selling price of cattle feed is made with restraint keeping in mind the interest of the farmer also. It was also informed that the conversion of the cattle feed plant at Palakkad Unit, to enable production of pellet feed, is over investing around Rs. 80 lakhs. He also informed that 1.78 acres of land costing Rs. 5.60 crores adjacent to our Irinjalakuda Unit has been purchased for future expansion.

He informed that the Company has been nominated for SEA Award for the year 2010-11 for the highest processing of coconut oil cake for the 21st year consecutively.

He emphasized that the growth that was achieved by the Company was by the sincere and cooperative efforts of the Board of Directors, Chief General Manager, Corporate Managers, Managers, Officers, Staff and Workers of all units.

He thanked the shareholders, employees, dealers, suppliers Bank and other agencies connected with the business of the Company for their wholehearted cooperation.

2. Notice of meeting

The Notice of the meeting dated 30.05.2012 was read and with the approval of members, the Chairman declared that the Balance sheet, Statement of Profit and Loss, Director's Report and Auditor's Report which have already been circulated among the members be taken as read.

3. Adoption of accounts

Mr. Ivan Guel Zelar moved that the following resolution may be passed as an ordinary resolution.

"RESOLVED that the audited Balance Sheet as at 31st March, 2012 and the Statement of Profit and Loss for the year ended on that date together with the Director's Report and Auditor's Report thereon be and is hereby received, approved and adopted."

The resolution was seconded by Mr. Varghese Maveli.

Nobody opposed the resolution. The Chairman declared that the resolution is passed unanimously.

4. Declaration of Dividend

Mr. P.D. George moved that the following resolution may be passed as an ordinary resolution.

"RESOLVED that a dividend for the year 2011-2012 at the rate of Rs. 11.00 (Rupees Eleven only) per equity share, on the paid-up capital of 32,00,000 equity share of Rs. 10 each, amounting in the aggregate to Rs. 3,52,00,000 as recommended by the Board be and is hereby declared and passed for payment to those equity shareholders whose names appear in the Register of Members as on 31st July, 2012 and in respect of shares held in dematerialised form, the dividend be paid on the basis of beneficial ownership as per the details furnished by the depositories for that purpose at the end of business hours as on 23.07.2012 and that Corporate Dividend Tax at the rate of 16.2225 % payable thereon ie. Rs. 57,10,320 be paid."

The resolution was seconded by Mr. Sanil Antony.

Since nobody opposed the resolution, the Chairman declared that the resolution is passed unanimously.

5. Reappointment of Directors

The Chairman informed that the Directors viz. - Mr. K.P. John, Mr. John Francis K. and T.R. Ragulal are retiring by rotation and being eligible offer themselves for reappointment. He also informed that no other candidate has applied for these vacancies.

Mr. K.I. Thomas moved that the following resolution may be passed as an ordinary resolution.

"RESOLVED that Mr. K.P. John who retires by rotation in accordance with Article 104 of the Articles of Association of the Company and who being eligible offers himself for reappointment be and is hereby reappointed as Director of the Company."

The resolution was seconded by Mr. T.K. Wilson.

Nobody opposed the resolution and the Chairman declared that the resolution is passed unanimously.

Mr. P.P. Abraham moved that the following resolution may be passed as an ordinary resolution.

"RESOLVED that Mr. Mr. John Francis K. who retires by rotation in accordance with Article 104 of the Articles of Association of the Company and who being eligible offers himself for reappointment be and is hereby reappointed as Director of the Company."

The resolution was seconded by Mr. K.I. Thomas.

Nobody opposed the resolution and the Chairman declared that the resolution is passed unanimously.

Mr. M.P. Jackson moved that the following resolution may be passed as an ordinary resolution.

"RESOLVED that Mr. T.R. Ragulal who retires by rotation in accordance with Article 104 of the Articles of Association of the Company and who being eligible offers himself for reappointment be and is hereby reappointed as Director of the Company."

The resolution was seconded by Mr. M.S. Premkumar.

Nobody opposed the resolution and the Chairman declared that the resolution is passed unanimously.

6. Appointment of Auditors

Mr. P.D. George moved that the following resolution may be passed as an ordinary resolution.

"RESOLVED that M/s.Varma & Varma, Chartered Accountants, Marath Lane, M.G. Road, Trichur, (Firm Registration No. 004532 S) the retiring Auditors be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs. 8,50,000 plus service tax as may be applicable and reimbursement of out of pocket expenses that may be incurred by them for discharging their duties as Auditors of the Company"

The resolution was seconded by Mr. A.A. Joseph.

Nobody opposed the resolution and Chairman declared that the resolution is passed unanimously.

SPECIAL BUSINESS

7. Reappointment of Executive Director

Mr. Varghese Maveli moved that the following resolution may be passed as a Special Resolution.

RESOLVED that pursuant to the provisions of Sections 269, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, the Company approves the reappointment of Shri P.K. Varghese as Executive Director of the Company for a further term of three years with effect from 1st November, 2012 on a remuneration of Rs. 70,000 (Rupees Seventy Thousand Only) per month in the scale of Rs. 70,000 - 3,000 - 76,000 along with bonus and perquisites as mentioned herein below, within the overall limit under Schedule XIII of the Companies Act, 1956, to attend the day to day functioning of the Company subject to the direction and control of the Managing Director and that the Executive Director shall carry out such duties as are from time to time assigned to him by the Board of Directors and/or the Managing Director:

- (a) Bonus at the rates and in accordance with the rules of the Company as applicable to the senior managerial personnel of the Company within the overall limit under Schedule XIII of the Companies Act, 1956.
- (b) Provision of a car with driver for official purposes and such driver's remuneration/expenses as fixed/approved by the Board shall be reimbursed to him, if he is not provided with Company's driver.
- (c) Free use of Company's telephone at his residence.
- (d) Company's contribution towards Provident Fund to the extent the same is not taxable under the Income-tax Act, 1961.
- (e) Reimbursement of medical expenses incurred for himself and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- (f) Gratuity at the rate of half a month's salary for each year of completed service including past service with the Company.
- (g) Actual leave travel expenses excluding hotel charges once in a year to any place in India to himself and his family.
- (h) Fees to clubs subject to a maximum of two clubs provided that no life membership fee or admission fee is paid.
- (i) Personal accident insurance, the premium of which shall not exceed Rs. 1,000 per annum.

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RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year, the Executive Director shall be paid remuneration by way of salary and perquisites as specified above."

The resolution was seconded by Mr. T.V. Charley.

Nobody opposed the resolution and the Chairman declared that the resolution is passed unanimously.

8. Reappointment of Director and Legal Advisor

Mr. K.I. Thomas moved that the following resolution may be passed as a Special Resolution.

"RESOLVED that pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the reappointment of Sri. A.P. George as Director and Legal Advisor of the Company for a period of three years from 1st November, 2012 and payment of a sum of Rs. 16,000 (Rupees Sixteen Thousand Only) per month as fee for professional services rendered to the Company as Advocate in addition to reimbursement of actual expenses incurred by him on behalf of the Company, which is covered by the opinion expressed by the Central Government under section 309 (1) of the Companies Act, 1956."

The resolution was seconded by Mr. A.L. Varghese.

Nobody opposed the resolution and the Chairman declared that the resolution is passed unanimously.

The Chief General Manager thanked the members for their cooperation in the successful conduct of the meeting.

The Chairman declared that the proceedings of the meeting are over.

The meeting came to a close with vote of thanks to the Chair at 4.30 P.M.

CHAIRMAN