

KSE LIMITED
MINUTES OF THE 49TH ANNUAL GENERAL MEETING

Nature of Meeting : Annual General Meeting
Venue : Registered Office, Irinjalakuda
Date : 31.07.2013 Time : 3.00 P.M.

Present

186 members were present in person and 12 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 29 % and that the volume of cattle feed sales registered a growth of 9 %. He added that the company had earned after tax profit amounting to Rs. 4.65 crores for the year 2012-13 and that considering the profits of year 2012-2013 the Board has recommended a dividend of 100 %.

He has informed the meeting that from March, 2013 the price of all raw materials are going up and revisions were made in the selling price of cattle feed in line thereto. He added that since the monsoon rain reached early in 2013 and widespread rain was received across the Country, which was well above average, there is good prospects of bumper crop of cereals, oil seeds etc.. He added that this in turn will reduce the price of raw material on improved availability, and thereby better the performance of the Company in 2013-14. He also informed that the Company will be in a better position on power front as all the reservoirs are either full or nearly full.

He informed that the Company has been nominated for SEA Award for the year 2012-13 for the highest processing of coconut oil cake for the 23rd 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 29.05.2013 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. ACS Warriar moved that the following resolution may be passed as an ordinary resolution.

"RESOLVED that the audited Balance Sheet as at 31st March, 2013 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. P.P. Abraham.

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 2012-2013 at the rate of Rs. 10.00 (Rupees Ten 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. 3,20,00,000 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, 2013 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 23.07.2013 and that Corporate Dividend Tax at the rate of 16.995 % payable thereon ie. Rs. 54,38,400 be paid."

The resolution was seconded by Mr. P.P. Abraham

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. A.P. George, Dr. Jose Paul Thaliyath and Mr. Joseph Xavier are retiring by rotation and being eligible offer themselves for reappointment. He also informed that no other candidate has applied for these vacancies.

Mr. Varghese Mavelly moved that the following resolution may be passed as an ordinary resolution.

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

"RESOLVED that Dr. Jose Paul Thaliyath 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. P.P. Abraham.

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

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

"RESOLVED that Mr. Joseph Xavier 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. Varghese Mavely.

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

6. Appointment of Auditors

Mr. K.I. Thomas 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, Thrissur (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. 9,50,000 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. Enhancement of Remuneration of Mr. M.C. Paul, Managing Director

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the enhancement of remuneration of Shri. M.C. Paul, Managing Director of the Company to Rs. 1,40,000 (Rupees One Lakh Forty Thousand Only) per month for the period from 1st August, 2013 to 22nd October, 2014 along with Bonus and perquisites as mentioned below:

- (a) Bonus at the rates and in accordance with the rules of the Company as applicable to the senior managerial personnel of the Company with in 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. 1000 per annum.

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

The resolution was seconded by Mr. A.C.S. Warriar.

Since Mr. M.C. Paul is interested in the resolution, Mr. P.K. Varghese was requested to take the Chair till the conclusion of this particular item in agenda.

Nobody opposed the resolution and the Chairman declared that the resolution is passed unanimously. Thereafter Mr. M.C. Paul reoccupied the chair.

8. Enhancement of Remuneration of Mr. P.K. Varghese, Executive Director

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the enhancement of remuneration of Shri. P.K. Varghese, Executive Director of the Company to Rs. 90,000 (Rupees Ninety Thousand Only) per month for the period from 1st August, 2013 to 31st October, 2014 and further to Rs. 93,000 (Rupees Ninety Three Thousand only) per month for the period from 1st November, 2014 to 31st October, 2015 along with Bonus and perquisites as mentioned below:

- (a) Bonus at the rates and in accordance with the rules of the Company as applicable to the senior managerial personnel of the Company with in 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. 1000 per annum.

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. A.A. Joseph.

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

9. Enhancement of professional fee payable to Director and Legal Advisor

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

"RESOLVED that consent of the Company be and is hereby accorded in terms of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 to the enhancement of professional fee payable to Shri A.P. George, Director and Legal Advisor, for legal services rendered to the Company as an Advocate, to Rs. 20,000 (Rupees Twenty Thousand Only) per month plus reimbursement of actual expenses incurred by him while rendering such legal services for the period from 1st August, 2013 to 31st October, 2015."

The resolution was seconded by Mr. P.V. Jose.

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

KSE LIMITED
Chairman's Address by Sri. M.C. Paul at the 49th Annual General Meeting
on 31st July, 2013 at 3.00 P.M.

Respected Directors and my dear Shareholders,

While welcoming all to this 49th Annual General Meeting of your Company, I am glad to inform our shareholders that next year we will be convening the 50th AGM of our Company, a golden jubilee year after formation of the Company. We are planning to celebrate the Golden Jubilee AGM in a befitting manner.

India's GDP growth fell to a decade's low of 5 per cent in fiscal 2012-13 compared to 6.20 % for the previous year. The forecast for 2013-14 is around 5 %. The inflation remained high during 2012 had a significant fall in the first quarter of 2013-14. Wholesale inflation edged up to a three-month high in June on higher food prices.

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

The turnover of the Company improved by 29 % from Rs. 542 crores to Rs. 697 crores in the year under report. During the year 2012-13, the volume of sale of compound cattle feed has increased by 9 % from 3.66 lakh tons to Rs. 3.99 lakh tons.

The first three quarters of the year under report, the price of ingredients witnessed sharp and steady increase unparalleled to earlier occasions. The monsoon was not normal in last year and availability of rain through out the Country was far less from normal and the sowing was also delayed. In the last AGM I had mentioned that the expected production of grains, pulses and oil seeds through out the world were reported to be grim and it will lead to shortage in of supply grains, pulses and oil seeds which in turn will lead to further soaring in the price of our ingredients. This was what exactly happened and we had to adjust the selling price of the feed, which was almost steady for over a year, seven times during 2012-13.

Since the increase in raw material price was in such a steady pace, we could not cover up the losses, even after we had made frequent adjustments to the cattle feed price till the third quarter. However, the material price stabilized in the fourth quarter and we could make up the losses and earn a decent margin. The cattle feed division reported a profit of Rs. 8.82 crores compared to Rs. 14.45 crores in the last year.

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We have started taking production in Thiruvananthapuram by a manufacturing arrangement with third party. We plan to take around 3000 tonnes in this Plant.

Off late, in the current year the raw material prices firmed up again and we had to make corrections to our selling price. The demand for our feed is unaffected and remains more or less the same.

In the cake processing division, we could improve the volume of cake processed from 73000 tonnes in the previous year to 77000 tons in the year under report. This is after an increase in the immediately preceding year by 17.75% from 62,000 tonnes to 73000 tonnes. However, due to low realisation on sale of coconut oil and firming up of cost of copra cake, the performance of the cake processing division had been seriously affected. The price of coconut oil was around Rs. 100 a kg. during July, 2012 and thereafter it went down to around Rs. 60 a kg. The cost of copra cake went up from Rs. 14000 per ton in last July to almost Rs. 21000 a ton now. This has seriously affected the working of that Division and we had reported a loss in that Division. The loss of the division was Rs. 46.88 lakhs against a profit of Rs. 283.99 lakhs in the previous year.

In the Dairy division the volume of ice cream sales improved to 960 kl against 865 kl in previous year. The growth recorded is 11 %. The margin on milk sale also has improved due to our collection of milk from Tamil Nadu. We could improve the profitability of Dairy Division from Rs. 96.95 lakhs to Rs. 163.96 lakhs and the profit growth reported in this division was 69 %.

Stiff competition in the ice cream sector, especially from small players, acts as a deterrent in improving the volume of sale. 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.

During 2012-13, failure of monsoon left with very poor water levels in major reservoirs through out the Country, especially in Kerala, resulted in high rise in power cost and coupled with power cut, we had a very grim power situation for a few months.

Further, the steady increase in diesel price, on cutting of govt. subsidy, also affects our costs very much, especially during power cuts. Along with this due to increase in transportation costs, our margins are cut seriously. Since majority of our materials are coming from North, our cost of inputs goes up on increase of diesel price.

You would have noticed that the net profit after tax for the year 2012-13 was down at Rs. 4.65 crores compared to Rs. 10.45 crores in the previous year. The reasons for the downfall in the net profit is as narrated above. We would have landed at a loss, had we not taken timely corrective steps.

Based on the profits for the year 2012-13, your Board of Directors have recommended a dividend of 100 % on the equity capital of the Company ie Rs. 10 per share. As already informed in my earlier Chairman's Speech, the year 2012-13 was a very difficult year. We could come out of the red due to our long term planning and cutting short the costs where ever possible.

By the sharp fall in the rupee against US dollar, rupee has depreciated nearly 10 % since the beginning of this financial year. Despite the earnest efforts and interference of RBI the rupee has depreciated and crossed the psychological barrier of Rs. 60 a dollar on several sessions. India's currency touched a record low of Rs. 61.21 on 8th July, 2013 against the dollar and later recovered when RBI by announcing measures for curbing speculation and boost returns on local-currency assets. But the measures initiated by RBI has not fully helped to recover the free fall of Rupee.

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.

Between January 2010 and October 2011, RBI cumulatively raised the repo rate 13 times by a total of 375 basis points to 8.5 per cent. However in view of slowing growth in the economy, RBI then shifted to a more accommodative stance and started to reduce the repo rate from April 2012. There has been a cumulative 125 basis points reduction till date. However, these rate cuts have not meant much to the borrower. The base rates of banks, to which their lending rates are linked, only came down by 30-50 basis points over the year.

Now, the interest rate applicable to your Company is on the higher side, and we are trying to cut down our utilisation of borrowed funds to the minimum, by keeping optimal stock and managing with internal accruals. Further, to control the fall of rupee against dollar, the RBI has initiated a number of control measures to restrict the money supply, which we afraid, may lead to further firming up of interest rates.

This year the monsoon was the best over decades across the country. India's monsoon rains have covered the entire country a month ahead of the normal schedule, increasing the prospects for a bumper output for summer-sown crops such as rice, oilseeds and cotton. Eight weeks into this year's monsoon, rains have so far been average or above, suggesting India will avoid a drought. But heavy early rains did some damage in crop-producing regions in some parts of northern and eastern India, flash floods and torrential downpours killed hundreds of people and displaced thousands. In pockets of south and western regions which had drought last year, more intense rains have led to higher coverage this year for crops such as corn, pulses and oilseeds. This will mean higher rural incomes in the world's second most populous country, improving sales of all products. We are hopeful of bettering our bottom line performance compared to previous year based on the above factors.

The country rarely gets such a kind of well-distributed rains as has happened so far this year. All the reservoirs in Kerala are full or near full. We expect that there will not be power cuts in the current year and the power cost will remain the same for at least one year.

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. 230 and Rs. 200 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. 200 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.

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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. During 2012-13, we had increased, by steps, the price of cattle feed by Rs. 5000 per ton. In October, 2012 the Government increased the selling price of milk by Rs. 5 a litre. However, the unbridled increase in the price of raw materials from March, 2013, put pressure on us to increase the feed prices, which will affect the farmer, unless the Government allow the Societies 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.

Your Company has set its targets at crossing 4,25,000 tonnes marks in its sales volume of cattle feed in year 2013-14, as we had touched 1.04 lakh tons tonnes in the first quarter. We also expect that the turnover of the Company will cross Rs. 750 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 had also 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.

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I had informed you in my earlier reports that we have won several awards over these years. SEA award of Solvent Extractors Association for the highest processing of copra cake for the year 2012-13 has been declared and this award is being won by your Company for the 23rd 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.