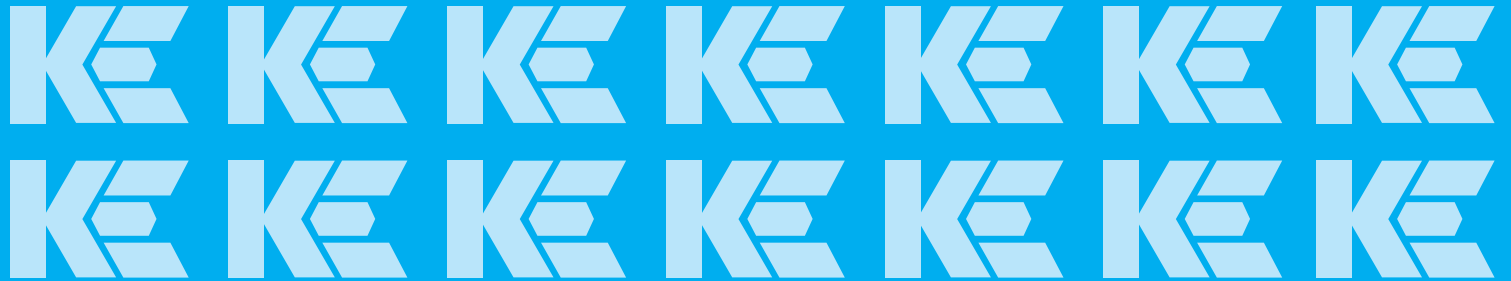




KESAR ENTERPRISES LTD.

71st Annual Report 2004-05



KE KESAR ENTERPRISES LTD.

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KE KESAR ENTERPRISES LTD.

(Incorporated under the Indian Companies Act VII of 1913)

COMPANY INFORMATION

BOARD OF DIRECTORS	:	H. R. KILACHAND (<i>Chairman & Managing Director</i>) A. S. RUIA K. KANNAN K. D. SHETH SMT. S. VENKATARAMAN (<i>Nominee of GIC</i>) S. H. H. ZAIDI (<i>Nominee of UTI up to 10.3.2005</i>) SMT. M. H. KILACHAND (<i>w.e.f. 23.9.2005</i>)
SR. GENERAL MANAGER (LEGAL) & COMPANY SECRETARY	:	D. J. SHAH
BANKERS	:	Bank of Baroda Uttar Pradesh Co-operative Bank Limited
AUDITORS	:	M/s. N. N. Jambusaria & Co. Chartered Accountants
SUGAR FACTORY AND DISTILLERY	:	Baheri Dist. Bareilly, U.P.
STORAGE INSTALLATIONS	:	Kandla (Gujarat)
REGISTERED OFFICE	:	Oriental House 7, Jamshedji Tata Road Churchgate Mumbai - 400 020
SUBSIDIARY	:	AMBER DISTILLERIES LIMITED
REGISTRAR & TRANSFER AGENTS	:	SHAREX DYNAMIC (INDIA) PVT. LTD 17/B, Dena Bank Building 2 nd Floor, Horniman Circle, Fort Mumbai - 400 001
AUDIT COMMITTEE MEMBERS	:	K. D. SHETH (<i>Chairman of the Committee</i>) A. S. RUIA MRS. S. VENKATARAMAN

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NOTICE

NOTICE is hereby given that the **71st** Annual General Meeting of the Members of **KESAR ENTERPRISES LTD.** will be held on **Wednesday, the 26th October 2005 at 3:30 p.m.** at **M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001** to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 30th June 2005 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors' and Auditors thereon.
2. To consider dividend on 1% - Cumulative Redeemable Preference Shares for the years 2003-04 (proportionately) and 2004-05.
3. To declare final dividend on Ordinary (Equity) Shares.
4. To appoint a Director in place of Smt. S. Venkataraman, who retires by rotation but being eligible offers herself for reappointment.
5. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modification/s, the following resolution as an **ORDINARY RESOLUTION:**

To appoint a Director in place of Smt. M. H. Kilachand who is appointed as an Additional Director of the Company pursuant to Article 161 of the Articles of Association of the Company and whose term of office expires under Section 260 of the Companies Act, 1956, at this Annual General Meeting but who is eligible for appointment and in respect of whom the Company has received notices in writing from some members specifying their intention to move the following resolution as an Ordinary Resolution proposing the candidature of Smt. M. H. Kilachand for office of Director:

"RESOLVED THAT Smt. M. H. Kilachand be and is hereby appointed as Director of the Company."

7. To consider and, if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 including, any statutory amendment, modification or re-enactment thereof and subject to approval of the Central Government and other requisite approvals as may be necessary, approval of the Members of the Company be and is hereby accorded to increase the remuneration of Shri H. R. Kilachand, Chairman & Managing Director of the Company for the period from 1st July 2005 to 13th August 2007 on the terms and conditions in accordance with Schedule XIII to the Act, as set out below:

I. SALARY:

Rs. 1,50,000/- per month.

II. COMMISSION:

Commission at the rate of (1%) one percent of the net profits of the Company for each financial year or part thereof computed in the manner as laid down under Section 349 of the Companies Act, 1956 and subject to the overall ceiling laid down under Section 198 and 309 of the Companies Act, 1956. For the purpose of calculating commission for any part of any financial year the net profit of the Company should be calculated in the same proportion of net profit for the financial year as the number of days in the part of the year bear to those in the whole of the year.

III. PERQUISITES:

1. HOUSING:

- (a) In case of unfurnished accommodation, hired by the Company, such expenditure not exceeding 60% of the salary over and above 10% payable by the Managing Director.
- (b) In case the accommodation is owned by the Company, 10% of the salary of the Managing Director shall be deducted by the Company.
- (c) In case no accommodation is provided by the Company, the Managing Director shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above.

2. The expenditure incurred by the Company on reimbursement of expenditure incurred on electricity, water and furnishings which shall be valued as per the Income-tax Rules, 1962.
3. Reimbursement of medical expenses incurred for the Managing Director and his family, namely his wife, dependent children and dependent parents.
4. Leave Travel Concession for the Managing Director and his family namely his wife, dependent children and dependent parents as per the Rules of the Company.
5. Club fees, which will not include admission/ life membership fees.
6. Personal Accident Insurance.
7. Free use of Company's car with driver and telephone at residence for the business of the Company. Charges for personal long distance calls on telephone and use of car for private purpose shall be borne by the Managing Director.

The Annual value of the above perquisites shall be restricted to an amount equal to the annual salary payable to the Managing Director. For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any applicable rules, perquisites shall be evaluated at actual cost. Provision of use of Company Car for official duties and telephone at residence (including payment of local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

8. Shri H. R. Kilachand shall be entitled to reimbursement of expenses actually and properly incurred by him for the business of the Company.
9. Shri H. R. Kilachand shall be further eligible to the following perquisites also which shall not be included in the computation of the ceiling limit on remuneration by way of salary, perquisites, allowances etc.
 - i. The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund. The same will not be included in the computation of the ceiling limit to the extent of the same either singly or put together are not taxable under the Income Tax Act.
 - ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
 - iii. Encashment of leave at the end of the tenure.

"RESOLVED FURTHER THAT the aforesaid remuneration shall nevertheless be paid and allowed to the Managing Director as the minimum remuneration, but not exceeding ceiling limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto from time to time, notwithstanding that in any financial year of the Company during the tenure of office of the Managing Director, the Company may have made no profits or its profits may be inadequate."

"RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 including, any statutory amendment, modification or re-enactment thereof and subject to approval of the Central Government and other requisite approvals as may be necessary, approval of the Members of the Company be and is hereby accorded for payment of commission to Shri H. R. Kilachand at the rate of (1%) one percent of the net profits of the Company for the financial year 2004-2005 computed in the manner as laid down under Section 349 of the Companies Act, 1956 and subject to the overall ceiling laid down under Section 198 and 309 of the Companies Act, 1956."

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of Clause 49 of the Listing Agreement, including its amendments, if any, approval of the Company be and is hereby accorded for payment of sitting fee of Rs.5,000/- for attending each meeting of the Board of Directors and the Committees thereof to Non-executive Directors of the Company."

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“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to pay such amount as sitting fees to the Non-executive Directors for attending the Meetings of the Board and Committees thereof, as it may in its discretion deem fit within the limits prescribed under the Companies Act, 1956 and Rules framed thereunder.”

Registered Office:

Oriental House
7, Jamshedji Tata Road
Churchgate
Mumbai 400 020

23rd September 2005

By Order of the Board of Directors

D J SHAH

Sr. General Manager (Legal) &
Company Secretary

Notes:

- a) **A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member. The instrument appointing a proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
- b) The Register of Members and Share Transfer Books of the Company will remain closed from **Thursday, the 20th October 2005 to Wednesday, the 26th October 2005**, both days inclusive. The shareholders are requested to inform of change in address, if any, at the earliest.
- c) The Unclaimed Dividends upto the financial year ended **31st March 1995** of the Company, have been transferred to the General Revenue Account of the Central Government pursuant to subsection (5) of Section 205A of the Companies Act, 1956. The concerned members may therefore submit their claims in the prescribed manner / form to the Registrar of Companies, Hakoba Compound, Dattaram Lad Marg, Kalachowki, Mumbai 400033.
- d) The Members may lodge their shares for transfer / transmission with the office of **M/s. SHAREX DYNAMIC (INDIA) PVT. LTD.** the Registrar and Share Transfer Agents, at 17/B Dena Bank Building, 2nd floor, Horniman Circle, Fort, Mumbai 400 001 or at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai 400 072 or with the Company.
- e) The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 setting out the material facts is annexed hereto.
- f) All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays and Sundays between 11:00 a.m. and 1:00 p.m. up to the date of the ensuing Meeting.
- g) Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in order of the names will be entitled to vote.
- h) Members / Proxies should fill the Attendance Slip for attending the Meeting. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification for attendance at the Meeting.
- i) Reappointment / Appointment of Directors:
 1. Smt. S. Venkataraman will be retiring by rotation at the ensuing Annual General Meeting and is eligible for reappointment. She is representing General Insurance Corporation of India (GIC) the Non-promoter Shareholder. She is working as Assistant General Manager in GIC. She is not Director of any other Company.
 2. Smt. M. H. Kilachand is appointed as Additional Director on 23.9.2005. Under Section 260 of the Companies Act, 1956, she will hold office only up to the ensuing Annual General Meeting. Her appointment as Director is proposed at the ensuing Annual General Meeting. Smt. Kilachand is a graduate in B. A. in Psychology and Literature from Mumbai University and has about 7 to 8 years experience in general administration and running the business of the group companies as Director. Additionally, she has been involved in social activities connected with schools and hospital of the Company at Baheri in U.P. Smt. Kilachand is on the Board of Kesar Corporation Pvt. Ltd., Kilachand Devchand & Co. Pvt. Ltd., Indian Commercial Co. Pvt. Ltd., India Carat Pvt. Ltd., Duracell Investments & Finance Pvt. Ltd., Seel Investments Pvt. Ltd., Kilachand Devchand Commercial Pvt. Ltd. and Skyline Chemtrade Pvt. Ltd. She holds 2.89% of the total equity shares of the Company.

ANNEXURE TO THE NOTICE

Explanatory Statement as required under Section 173 of the Companies Act, 1956.

Item No. 6:

The present strength of the Board of Directors of the Company is five, which includes one Nominee of GIC representing Shareholders, one Director from Promoters and three Independent Directors. As there is only one Director representing the promoters / persons acting in concert and also to broad base the Board of the Company, the Directors have appointed Mrs. M. H. Kilachand as Additional Director on 23.9.2005 as per Article 161 of the Articles of Association of the Company who holds 2.89% of the total equity shares of the Company. Under Section 260 of the Companies Act, 1956, Mrs. M. H. Kilachand holds office only up to this Annual General Meeting.

As required by Section 257 of the said Act, notices have been received from some members signifying their intention to propose Mrs. M. H. Kilachand as Director.

Smt. Kilachand is a graduate in B. A. in Psychology and Literature from Mumbai University and has about 7 to 8 years experience in general administration and running the business of the group companies as Director. Additionally, she has been involved in social activities connected with schools and hospital of the Company at Baheri in U.P.

Smt. Kilachand is on the Board of Kesar Corporation Pvt. Ltd., Kilachand Devchand & Co. Pvt. Ltd., Indian Commercial Co. Pvt. Ltd., India Carat Pvt. Ltd., Duracell Investments & Finance Pvt. Ltd., Seel Investments Pvt. Ltd., Kilachand Devchand Commercial Pvt. Ltd. and Skyline Chemtrade Pvt. Ltd.

None of the Directors of the Company, except Shri H. R. Kilachand as husband of Smt. Kilachand and Smt. M. H. Kilachand, is in any way concerned or interested in the aforesaid resolution.

Item No. 7:

At the 68th Annual General Meeting held on 30th December 2002, the Members had reappointed Shri H. R. Kilachand as Chairman & Managing Director on remuneration within the ceiling limits provided in Schedule XIII to the Companies Act, 1956, for a period of 5 years w.e.f. 14.8.2002, subject to the approval of the Central Government. Thereafter, the Central Government had fixed a remuneration of Rs.10,90,000/- p.a. as there were outstanding amounts towards Financial Institutions. Shri H. R. Kilachand has been with the Company since August 1985 and during the last 20 years he has contributed vital services in the growth of the Company.

As the Company has paid in full to the Financial Institutions in February 2005 as per the settlement arrived with them and also as the financial position of the Company has substantially improved and considering the efforts made by Shri H. R. Kilachand for the growth of the Company and also considering the present salary structure within the organisation and in the industry in general, it is proposed to obtain the approval of the Members for increase in the remuneration of Shri H. R. Kilachand, from 1st July 2005 to 13th August 2007 within the ceiling limits provided in Schedule XIII to the Companies Act, 1956, subject however to the approval of the Central Government.

It is also proposed to pay commission to Shri H. R. Kilachand at the rate of (1%) one percent of the net profits of the Company for the financial year 2004-2005 computed in the manner as laid down under Section 349 of the Companies Act, 1956 and subject to the overall ceiling laid down under Section 198 and 309 of the Companies Act, 1956, and also subject to the approval of the Central Government.

The Remuneration Committee has approved the above.

The Board recommends passing of the resolution as set out at item no. 7 of the accompanying Notice.

None of the Directors of the Company except Smt. M. H. Kilachand as wife of Shri H. R. Kilachand and Shri H. R. Kilachand, is in any way concerned or interested in the aforesaid resolution.

The above may be regarded as an Abstract of the terms and Memorandum of Interest under Section 302 (7) of the Companies Act, 1956 with respect to the increase in the remuneration of Shri H. R. Kilachand as Chairman & Managing Director of the Company.

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Item No. 8:

The amended Clause 49 of the Listing Agreement with the Stock Exchanges will come into force with effect from 1st January 2006, which requires that all fees / compensation, if any, paid to the Non-executive Directors, including Independent Directors shall be fixed by the Board and shall require previous approval of the shareholders in general meeting.

At present, the Company is paying sitting fees of Rs.5,000/- for attending each meeting of the Board of Directors and the Committees thereof to the Non-executive Directors of the Company.

The Board recommends passing of the resolution as set out at item No.8 of the accompanying Notice.

All Non-executive Directors are concerned and interested in the resolution to the extent of sitting fees payable to them.

Registered Office:

Oriental House
7, Jamshedji Tata Road
Churchgate
Mumbai 400 020

23rd September 2005

By Order of the Board of Directors

D J SHAH
Sr. General Manager (Legal) &
Company Secretary

Directors' Report

To
The Shareholders
Kesar Enterprises Ltd.

Dear Members,

Your Directors present to you the 71st Annual Report and Audited Statement of Accounts for year ended 30th June 2005.

FINANCIAL RESULTS:

	(Rs. in Lacs)	
	2004-2005	2003-2004
Profit before interest, depreciation & taxation	3,238.86	1,414.83
Less: Interest and Finance Charges	862.46	757.17
Profit before Depreciation & taxation (Cash Profit)	2,376.40	657.66
Less : Depreciation	512.96	500.43
Profit / (Loss) before Tax	1,863.44	157.23
Provision for Taxation		
(i) Income Tax - Current	61.00	13.51
(ii) Income Tax - Deferred	139.88	14.42
(iii) Wealth Tax	0.83	0.81
Profit / (Loss) after tax	1,661.73	128.49
Add /(Less):		
Balance brought forward from previous year.	74.79	—
Prior period adjustments.	(11.41)	(53.70)
Profit available for appropriation	1,725.11	74.79
Appropriations :		
(i) Transferred to General Reserve.	123.45	—
(ii) Proposed Preference Shares Dividend	3.78	—
(iii) Interim Dividend on Equity Shares	95.09	—
(iv) Proposed Final Dividend on Equity Shares	31.70	—
(v) Corporate Tax on Dividend	18.31	—
(vi) Balance Carried Forward to Balance Sheet	1,452.78	74.79
Total	1,725.11	74.79

The profit before interest, depreciation and tax for the year ended 30th June 2005, was Rs. 3,238.86 lac as against Rs.1,414.83 lac in the previous year. The net profit is Rs. 1,661.73 lac during the year as against Rs.128.49 lac in the previous year, which shows a substantial improvement over the previous year.

DIVIDEND

The arrears of proportionate dividend for the year 2003-04 @ 1% on 20,00,000 Cumulative Redeemable Preference Shares of Rs. 10/- each issued to IDBI Ltd. amounting to Rs.1,77,596/- plus dividend tax as applicable was paid on 26th August 2005. The Board recommends dividend for the year 2004-05 @ 1% on the said Preference Shares amounting to Rs.2,00,000/- plus dividend tax as applicable.

The Directors, though very keen, could not recommend any dividend for the year 2003-04. For the year under review, on 19th August, 2005, the Board declared Interim Dividend @ 15% i.e. Rs.1.50 per share on 63,39,315 equity shares of Rs. 10/- each amounting to Rs. 95.09 lac plus dividend tax as applicable. Further to this, the Directors recommend final dividend @ 5% i.e. Rs. 0.50 per share amounting to Rs. 31.70 lac plus dividend tax as applicable for the year 2004-2005. Thus, the total dividend for the year for your approval is 20% i.e. Rs. 2.00 per share aggregating to Rs.126.79 lac plus dividend tax as applicable (Previous year Nil).

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WORKING OF THE DIVISIONS

Sugar Division

The Crushing Season 2004-2005 started on 4.11.2004, eight days earlier than the previous season and ended on 11.4.2005 as against 10.4.2004, one day later than the previous season. During the season, the plant crushed 84.88 lac quintals of sugar cane in 158 days as against 80.86 lac quintals crushed in 150 days in the previous season. Overall crushing would have been much higher had it not been for cane shortage in April 2005. The sugar recovery was marginally higher at 9.90% as against 9.88% in the previous season. The production of sugar was higher at 8.41 lac quintals as against 7.99 lac quintals in the previous season.

During the season 2004-2005, Molasses produced was 3.76 lac quintals as against 3.71 lac quintals in the previous season and surplus Baggasse produced was 25 lac quintals.

The Central Government had raised the Statutory Minimum Price (SMP) of sugar cane by Rs.1.50 per quintal over the last year's one time price to Rs.74.50 per quintal for the season 2004-2005 based on a recovery of 8.5%. Accordingly, the cane price for the Company for the season 2004-2005 was fixed as under.

(Rs. Per Qtl)

	SMP for the Season 2004-2005		SMP for the Season 2003-2004	
	At Gate	At Centre	At Gate	At Centre
Ordinary Varieties	86.82	81.07	87.45	81.70
Early Varieties	91.82	86.07	92.45	86.70

For the crushing season 2004-2005, the U. P. Government had directed the sugar mills to pay Rs.107 per quintal for general variety and Rs.112 per quintal for early variety of sugar cane to farmers. There was transportation rebate of Rs.5.75 per quintal for cane supplied at outcentres. U. P. Government had given concessions of Rs.2.50 per quintal in the form of remission of Rs.1.75 per quintal from the purchase tax on cane of Rs.2 per quintal and Rs. 0.75 per quintal from the society commissions towards purchase of cane.

Based on the Supreme Court Order that the State Governments have the power to fix sugar cane prices, the U P Government had issued notification for payment of differential cane price for the years 1996-97, 2002-2003 and 2003-2004 and issued the Recovery Certificate only in respect of the years 1996-97 and 2003-2004. Accordingly, the Company had paid during the year Rs.157.71 lac for the year 1996-97 and Rs.374.92 lac for the year 2003-2004 and paid after the close of the financial year Rs.759.32 lac for the year 2002-2003 towards the said differential price. The Company had contested the said Supreme Court Order through U.P Sugar Mills Association and a Special Leave Petition was filed before the Supreme Court but the same was rejected.

The Levy sugar price for the season 2004-2005 was announced by the Central Government at Rs.1,330.77 per quintal, the same as that in the previous season.

Distillery Division

During the year under review the production of Rectified Spirit (RS) was slightly lower at 113.82 lac bulk litres as against 115.29 lac bulk litres in the previous year. The production of Extra Neutral Alcohol (ENA) was also lower at 15.48 lac bulk litres as against 23.09 lac bulk litres in the previous year. This was due to high prices and shortage of molasses and also shut down of the plant for modifications in the boiler.

Liquor Division:

The quantity of Country Liquor supplied was slightly lower at 67.43 lac bulk litres as compared to 69.88 lac bulk litres in the previous year. This was mainly due to unhealthy competition and low margins. The production and sales of IMFL was higher by 126% at 7.61 lac cases as against the sale of 3.37 lac cases in the previous year. The Company has launched various semi-premium and premium brands in many States during this year. The Company has contract bottling arrangements with various reputed parties, which ensures a higher capacity utilisation and reduction in operating overheads.

Storage Division

The Storage Division at Kandla has done reasonably well during the year. The revenue generated was higher and the operating profit was also higher as against that of the previous year.

SUBSEQUENT FINANCIAL YEAR 2005-2006

UNION BUDGET 2005 –2006:

- 1) The following financial package was passed for the revitalisation of the Sugar Industry, which was under financial stress since 2001 and the position had become worse due to two successive droughts in certain parts of the country:
 - Sugar Factories that were operational in 2002-2003 sugar season would be assisted to restructure by devising a scheme for providing financial package.
 - Reduction of interest by 2% below the Bank rate on loans from the Sugar Development Fund, which were outstanding as on 21.10.2004.
- 2) Rate of Central Excise Duty on Molasses was increased from Rs.500/- to Rs.1000/- per ton but subsequently reduced to Rs.750/- per ton..
- 3) Customs Duty on Molasses and Industrial (Denatured) Ethyl Alcohol was reduced from 15% to 10%.

This will have no effect on the Company but the production cost to Distillery will increase by Rs.250/- per ton.

Sugar Division

The Sugar Factory, for the season 2005-2006, is expected to start in the first week of November 2005. The Central Government has hiked the SMP of sugar cane from Rs.74.50 per quintal at base recovery of 8.5% to Rs.79.00 per quintal for the season 2005-2006 based on a recovery of 9.40% taken for the whole season's average. The Levy sugar price for the season 2005-2006 was announced by the Central Government at Rs.1,330.77 per quintal, the same as that in the previous season. It is expected that the factory may run longer than the previous season thus crushing and production will be more than the previous season.

Distillery Division

As the last sugar season was short, a shortage of molasses was experienced by the industry as a whole, which has resulted into an increase in the prices of molasses. The business prospects of the Distillery Division for the year 2005-06 is expected to have better production levels of RS & ENA as the availability of molasses at lower prices is likely to improve from January 2006 onwards. The prices of molasses are likely to come down by 30% to 40% however the central excise duty on molasses has been increased by 50%. Modvat benefit is not available to the liquor industry and hence to that extent the margins will be under pressure.

Liquor Division

The sale of Country Liquor is expected to be the same as previous year. IMFL sales should further improve to over 8 lac cases. New semi-premium and premium brands are being introduced in various markets. The contract bottling arrangements with a few reputed parties continue to do well.

The overall performance of Distillery and Liquor Division for the current year is likely to be better as compared to the previous year.

Storage Division

The Storage Division at Kandla is expected to continue to do well during the current financial year and with the revival of the industrial climate, the tankage occupancy will further improve.

EXPANSION

The company envisages to de-bottleneck the existing capacities, modernise the plant and add substantial capacities in various divisions as follows:

Sugar Division:

Plans are being made to expand the crushing capacity from 6500 TCD to 10000 TCD in two stages with bagasse based power co-generation. The Company will be exporting power to the grid and will benefit from the well established government policies related to renewable energy.

Distillery Division:

The Bioreactor is being set up in the distillery to treat additional 500 Cubic Meter of effluent per day to generate biogas. It will also lay the foundation for expanding the distillery to 70,000 litres per day. The Company is also considering setting up an absolute alcohol plant as well as modernising the ENA plant.

Storage Division

The Company plans to add 35,000 Kilo Litre storage capacity at Kandla. The Company is also exploring opportunities for putting up storage terminals at other ports.

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FINANCIAL INSTITUTIONS

As mentioned in the last Annual Report, during the year, the Company had paid off the entire amounts due to ICICI, IDBI and UTI towards full and final settlement of their all dues from a Loan of Rs. 25 crores received from Yes Bank Ltd., Mumbai. The charge / mortgage created on the assets of the Company in favour of ICICI, IDBI and UTI was released, and the said assets are charged / mortgaged (excluding the assets of Distillery Division at Baheri) in favour of Yes Bank Ltd. The Company is discharged from all the cases filed by IDBI/UTI/IFCI in the Debt Recovery Tribunal, Mumbai.

DEVELOPMENT OF LAND

During the year, pursuant to the consent terms and the consequent Award of Arbitrator, the Retired Justice Shri M. L. Pendse, the Company had sold a major portion of its land at Goregaon for an aggregate amount of Rs.25.75 crore to Mahindra Gesco Developers Ltd. (MGDL) [formerly known as 'Mahindra Realty Infrastructure Developers Limited' (MRIDL)], a wholly owned subsidiary of Mahindra & Mahindra Ltd., with whom the Company had entered into a Project Services Agreement for developing the said land and constructing for sale, residential tenements.

As regards the development of land at Bareilly, the Company has received Rs. 319 lac out of the amounts due from the Developer of the land. The Company has decided to retain approximately 316 sq. mtrs of area worth Rs. 21 lac for its office.

PREFERENTIAL ISSUE

As approved by the shareholders at the Extraordinary General Meeting held on 24th August 2005 under section 81(1A) of the Companies Act, 1956, the Company had issued and allotted 16,60,000 warrants of Rs.97/- each with an option to apply for equity shares to the promoters, persons acting in concert and to a private corporate body on preferential basis as per the SEBI (Disclosure & Investor Protection) Guidelines, 2000 for Preferential Issues to augment long term resources initially up to approximately Rs.18 crores, in view of the future funds requirement of the Company for its various projects and general corporate purposes.

DIRECTORS

Shri S. H. H. Zaidi ceased to be the Director upon withdrawal of his nomination by Unit Trust of India with effect from 10.3.2005. The Board places on record the valuable services rendered and able guidance given by Shri S. H. H. Zaidi during the tenure of his office.

Smt. S. Venkataraman retires by rotation and being eligible, offers herself for reappointment.

Smt. M. H. Kilachand has joined the Board of the Company as an Additional Director w.e.f. 23.9.2005. Smt. Kilachand is a graduate in B. A. in Psychology and Literature from Mumbai University and has about 7 to 8 years experience in general administration and running the business of the group companies as Director. Additionally, she has been involved in social activities connected with schools and hospital of the Company at Baheri in U.P. Smt. Kilachand is on the Board of Kesar Corporation Pvt. Ltd., Kilachand Devchand & Co. Pvt. Ltd., Indian Commercial Co. Pvt. Ltd., India Carat Pvt. Ltd., Duracell Investments & Finance Pvt. Ltd., Seel Investments Pvt. Ltd., Kilachand Devchand Commercial Pvt. Ltd., and Skyline Chemtrade Pvt. Ltd.

As approved by the Remuneration Committee, the Board of Directors proposes to increase the remuneration of Shri H. R. Kilachand, Chairman & Managing Director of the Company, subject to the approval of the Central Government.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act 2000, the Directors state as under:

- i) that in preparation of the annual accounts for the financial year ended on 30th June 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 30th June 2005 and of the profit for that period;
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the Annual Accounts for the financial year ended on 30th June 2005 on a going concern basis.

MANAGEMENT DISCUSSION & ANALYSIS REPORT AND CORPORATE GOVERNANCE REPORT

As per Clause 49 of the Listing Agreement, the Management Discussion & Analysis Report and the Corporate Governance Report are annexed, which forms part of this Report.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard 21, your Directors attach the Consolidated Financial Statements, which form part of this Report and Accounts. These Statements have been prepared on the basis of audited financial statements received from the subsidiary company M/s. Amber Distilleries Ltd., as approved by its Board.

INSURANCE

The Company has taken adequate insurance for all its properties.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Particulars with respect to conservation of energy, technology absorption and foreign exchange earning and outgo pursuant to Section 217(1)(e) of the Companies Act, 1956 are given in the Appendix 'A' forming part of this Report.

FIXED DEPOSITS

Fixed Deposits of Rs.1,10,000/- due for repayment on or before 30th June 2005, were not claimed by 9 depositors as on that date.

SUBSIDIARY COMPANY

The information including Annual Accounts, Directors' Report and Auditor's Report in respect of the subsidiary viz. Amber Distilleries Ltd. as on 31st March 2005 is annexed as required under Section 212 of the Companies Act, 1956.

AUDITORS' REPORT

For the remark in the Auditors' Report, the Directors refer to Note No. 5 of the Notes forming part of the Accounts, which clarifies the Company's position, and is self-explanatory.

AUDITORS

M/s. N. N. Jambusaria & Co., Chartered Accountants, Mumbai, the Auditors of the Company who hold office until the conclusion of the 71st Annual General Meeting, being eligible, offer themselves for re-appointment.

EMPLOYEES

Relation with the employees remained cordial throughout the year. The Company has no employees who are covered under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and cooperation extended by the Banks, Financial Institutions and the U. P. Government, during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the employees of the Company for its success.

By Order of the Board of Directors

23rd September 2005

H. R. KILACHAND
Chairman & Managing Director

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Appendix 'A' pursuant to Section 217(1)(e) of the Companies Act, 1956 Forming part of the Directors' Report

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

CONSERVATION OF ENERGY

1.	We have installed 1 Boiler having 40 TPH capacity and 32 kg / cm 2 pressure along-with a 3 MW TG set of 32 kg / cm 2 pressure by replacement of our 6 nos. old Boilers of 5 TPH each and 11 kg/ cm 2 pressure resulting the expected saving due to high efficiency with high pressure Boiler and low process steam consumption beside increase in crushing capacity.			
2.	We have installed 1 No condensor in replacement of old one resulting reduction in power consumption.			
A.	<u>Power and Fuel Consumption</u>		2004-05	2003-2004
1.	Electricity			
a.	Purchased			
	Unit	Kwh	1078075	849583
	Total Amount	Rs.	5291770	4524639
	Rate/Unit	Rs.	4.91	5.33
b.	Own Generation			
i)	Through Diesel Generator			
	Unit	Kwh	883249	1847568
	Units Per Ltr. Of Diesel Oil	Kwh	3.22	3.28
	Rate / Unit	Rs.	7.83	6.13
ii)	Through Steam Turbine			
	Unit	Kwh	22502590	21353852
	Units Per M. T. of Steam	Kwh	49.22	44.18
	Rate / Unit	Rs.	3.28	3.93
2.	Coal			
	Quantity	M.T.	1.81	150
	Cost	Rs.	9368	797540
	Average Rate	Rs.	5190.03	531693
3.	Other Fuel Bagasse (Own)			
	Quantity	M.T.	219410	233286
	Cost	Rs.	**	**
	Average Rate	Rs.	**	**
4.	Rice Husk			
	Quantity	M.T.	7899	11083
	Cost	Rs.	12113516	16164989
	Average Rate	Rs.	1533.57	1458.54
5.	Bagasse PITH (Purchased)			
	Quantity	M.T.	12125	1255
	Cost	Rs.	6191470	783223
	Average Rate	Rs.	510.63	624.08
6.	H. S. Diesel			
	Quantity	Ltr.	273913	562551
	Cost	Rs.	6913099	11323858
	Average Rate	Rs.	25.24	20.13
**	Not applicable as this is a By-product			
B.	<u>Consumption per unit of production</u>			
	Product (Sugar)			
	Electricity	Kwh/M.T	224.76	269.12
	Bagasse	M.T/M.T	2.61	2.92
	Diesel Oil	Ltr./M.T	1.60	4.09
	Product (Industrial Alcohol) (In 000' Ltrs)			
	Electricity	Kwh/000'Ltrs	138.79	149.71
	Coal	Qtls./000'Ltrs	0.002	0.01
	Bagasse (PITH)	M.T./000'Ltrs	1.08	0.11
	Rice Husk	M.T./000'Ltrs	0.70	0.96
	Diesel Oil	Ltr./000'Ltrs	12.17	20.43

FORM B

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY, RESEARCH AND DEVELOPMENT

A. RESEARCH AND DEVELOPMENT

1. Tissue culture Techniques for the multiplication of high yielding cane varieties and to reduce the cost of production of plantlets.
2. Activities of Bio control of Sugar Cane insects in Biological Laboratory.
3. Development of continuous fermentation process to have effluent discharge and maximum recovery per ton of molasses with the suitable yeast strain.
4. Use of Biocompost in the production of agriculture crops namely Sugar Cane, Wheat and Paddy in the Tarai region of U.P.
5. Total Water Management in Sugar and Distillery units.

B. BENEFITS DERIVED

1. Energy consumption has reduced by implementing certain modification in sugar and Distillery manufacturing process and installation of high pressure turbine.
2. Results of other R&D activities are awaited

Expenditure of R & D

	2004-2005	(Rs. In lacs) 2003-2004
(a) Capital	—	1.19
(b) Recurring	17.90	19.81
(c) Total	<u>17.90</u>	<u>21.00</u>
(d) Total R&D expenditure as a percentage of turnover Technology absorption, adaption & innovation :	0.07 %	0.09%

The Company has not purchased /imported any technology hence not applicable.

Foreign Exchange Earnings and Outgo:

The information on foreign Exchange earnings and outgo is furnished in the Notes to the Accounts (Please refer to Note No. 21 Annexure1 item D, E and F).

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overall Review

The Company has 3 Divisions viz. Sugar, Distillery including Liquor and Storage Divisions. Each Division is independently managed and within each Division, the units are treated as separate profit centers.

The Financial statements have been prepared in accordance with the requirements of the Companies Act, 1956. The segment performance has been explained in detail in the Directors' Report.

Sugar Division:

The successful commissioning of various capital items such as 40-ton boiler, 3 MW turbine, GRPF, 100-ton pan and centrifugal, has resulted in an increase in the crushing capacity of the factory to 6500 TCD. during the season 2004-2005.

Distillery Division:

Rectified Spirit (RS) and Extra Neutral Alcohol (ENA) are being manufactured by many distilleries in U.P. and therefore the demand for these products is less within U.P. Most of the quantities of ENA manufactured by the Distillery are being sold out of the state. Due to high export duty and transportation cost, U.P. based distilleries are unable to compete fairly for RS and ENA in other States.

Liquor Division:

In India, the liquor business is controlled by the State Governments and the Excise Policies of each State is declared by the State Excise Department annually. Due to various kinds of duties and levies imposed by the State Governments, it is economical and more viable to have bottling arrangements in the respective States as far as possible. The Company has tie-up arrangements for manufacturing its own brands in many States. The Company also has tie-up arrangements to manufacture IMFL products of a few reputed parties in their own plant.

The manufacturing licence for Country Liquor (CL) is generally granted to distilleries only. In U.P. there are 20 manufacturers of CL. The Company controls around 6% share of the total market. Indian Made Foreign Liquor (IMFL) has a huge market in India. The Company is having a number of brands, out of which, a few of them are premium products. The Company has made its presence in many States in India and has already crossed half-a-million cases sales during last year.

Storage Division:

The Company has 29 storage tanks at Terminal No.1 and 15 at Terminal No.2, both totalling an aggregate storage capacity of 90,000 KL. in Kandla. These tanks are given on hire for bulk liquid cargo chemicals like, Naphtha, Kerosene, Crude Edible oil, Castor oil etc.

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CORPORATE GOVERNANCE REPORT

1. Company's philosophy on Code of Governance:

The Company's philosophy on Corporate Governance aims at attainment of the highest levels of transparency, accountability and equity in the functioning of the Company and in all interactions with employees, shareholders, creditors, depositors and customers. The Company believes that its systems and actions must be endeavoured for enhancing corporate performance and maximizing shareholder value in the long term.

2. Board of Directors:

The Board of Directors consists of the following Directors. The Composition and Category of Directors is as follows:

Name of Directors	Category
Shri H. R. Kilachand	Chairman & Managing Director
Shri K. Kannan	Non-Executive Independent Director
Shri A. S. Ruia	Non-Executive Independent Director
Shri K. D. Sheth	Non-Executive Independent Director
Smt. S. Venkataraman	Nominee Director – GICI
Shri. S.H.H. Zaidi	Nominee Director – UTI (upto 10.03.2005)
Smt. M. H. Kilachand	Non-Executive Director (w.e.f 23.09.2005)

Attendance of each Director at the Board Meetings, the last Annual General Meeting and Number of other Directorship and Chairmanship / Membership of Committees of each Director in various companies are as follows:

Name of the Director	Attendance Particulars						No. of other directorships and committee member / chairmanship		
	Out of 7 Board Meetings	Out of 5 Audit Committee Meetings	2 Asset Committee Meeting	Out of 10 Share Transfer Committee Meetings	Sitting Fees paid (Rs.)	Last AGM	Other Directorships	Committee Member	Chairmanships
Shri H. R. Kilachand	6	5	-	10	-	Yes	10	-	5
Shri K. Kannan	5	-	-	-	15,000	Yes	4	-	1
Shri A. S. Ruia	7	5	2	10	72,000	Yes	4	-	-
Shri K. D. Sheth	7	5	2	10	72,000	Yes	1	-	-
Smt. S. Venkataraman	4	3	1	-	24,000	No	-	-	-
Shri. S.H.H. Zaidi	3	-	-	-	9,000	No	-	-	-

The Non-Executive Directors were paid Sitting Fees of Rs.1, 92,000/-, for attending the Board Meetings and the Committee Meetings held during 1-7-2004 to 30-6-2005, as stated above.

Information on reappointment / appointment of Directors

1. Smt. S. Venkataraman will be retiring by rotation at the ensuing Annual General Meeting and is eligible for reappointment. She is representing General Insurance Corporation of India (GIC) being non-promoter shareholder. She is working as Assistant General Manager in GIC. She is not Director of any other Company.
2. Smt. M. H. Kilachand is appointed as Additional Director on 23.9.2005 who holds 2.89% of the total equity shares of the Company. Under Section 260 of the Companies Act, 1956, she will hold office only up to the ensuing Annual General Meeting. Her appointment as Director is proposed at the ensuing Annual General Meeting. Smt. Kilachand is a graduate in B. A. in Psychology and Literature from Mumbai University and has

about 7 to 8 years experience in general administration and running the business of the group companies as Director. Additionally, she has been involved in social activities connected with schools and hospital of the Company at Baheri in U.P. Smt. Kilachand is on the Board of Kesar Corporation Pvt. Ltd., Kilachand Devchand & Co. Pvt. Ltd., Indian Commercial Co. Pvt. Ltd., India Carat Pvt. Ltd., Duracell Investments & Finance Pvt. Ltd., Seel Investments Pvt. Ltd., Kilachand Devchand Commercial Pvt. Ltd., Skyline Chemtrade Pvt. Ltd.

Number of Board Meetings held and the dates on which held:

In all 7 Board Meetings were held during the year, as against the minimum requirement of 4 meetings. The dates on which the meetings were held are 30th July 2004, 29th October 2004, 31st January 2005, 1st March 2005, 31st March 2005, 22nd April 2005 and 29th April 2005. The necessary information was made available to the Board.

3. Audit Committee:

Pursuant to Section 292A of the Companies (Amendment) Act 2000, the present Audit Committee comprises of the following three Directors:

Shri K. D. Sheth	Chairman of the Audit Committee Non-Executive Independent Director
Shri Anilkumar S. Ruia	Non-Executive Independent Director
Smt. S. Venkataraman	Nominee of GIC

The said Directors are financially literate and have accounting or related financial management expertise. Shri D. J. Shah, Sr. General Manager (Legal) & Company Secretary is the Secretary to the Audit Committee also.

As per the Listing Agreement, the Audit Committee should meet atleast thrice in a year. As against that 5 meetings were held i. e. on 30th July 2004, 29th October 2004, 31st January 2005, 1st March 2005 and 22nd April 2005 to review the internal audit reports, the Annual Accounts as on 30-6-2005 and the quarterly unaudited financial results of the Company, which were attended by the Committee Members, the Internal Auditor and the Senior Executives of the Company.

The Company has a full-fledged Internal Audit Department headed by Dy. General Manager, which performs periodical internal audit of the various functions of the Company. The reports of the Internal Audit Department are placed before the Audit Committee along with the comments of the Management on the action taken to remedy any deficiencies that may be observed on the working of the various departments of the Company.

4. Remuneration Committee:

The Remuneration Committee consists of Shri A. S. Ruia (Non-Executive Director), Shri K. D. Sheth (Non-Executive Director) and Smt. S. Venkataraman (Nominee of GIC).

Shri H. R. Kilachand was reappointed as Chairman & Managing Director of the Company by the members at their meeting held on 30.12.2002 for a period of 5 years w.e.f. 14.8.2002, on the terms and conditions in accordance with Schedule XIII of the Companies Act, 1956. The remuneration paid to Shri H. R. Kilachand, during the financial year 2004-2005 is mentioned in the Note No.7 to the Accounts.

The Non-Executive Directors were paid sitting fees of an aggregate amount of Rs.1,92,000/- as stated in para 2 above.

5. Share Transfer Committee:

The present Share Transfer Committee of the Company consists of Shri H. R. Kilachand, Chairman of the Committee, Shri K. D. Sheth (Non-Executive Director) and Shri A. S. Ruia (Non-Executive Director) to review and approve the transfer of shares, issue of duplicate share certificates and requests regarding transmission of shares received from the heirs of deceased shareholders. The Committee meets regularly from time to time for the above purpose, to ensure a prompt return of securities to the shareholders. Neither any share transfers nor any requests for demat was pending as on 30th June 2005.

6. Asset Management Committee:

The Asset Management Committee consists of Directors viz. Shri A. S. Ruia, Shri K. D. Sheth and Smt. S. Venkataraman. Two meetings were held on 31.3.2005 and 29.4.2005.

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7. Shareholders / Investors Grievance Committee:

The Shareholders / Investors Grievance Committee consists of Shri K. D. Sheth (Non-Executive Director) as Chairman of the Committee, Shri H. R. Kilachand (Executive Director), Shri A. S. Ruia (Non-Executive Director). During the Financial Year ended 30th June 2005 and till the date of this report, the Company had received two complaints from the shareholders, which were replied appropriately.

8. Compliance Officer:

The Board has designated Shri D. J. Shah, Sr. General Manager (Legal) & Company Secretary, as the Compliance Officer of the Company.

9. General Body Meetings:

Location and time where the last Annual General Meetings were held:

Financial Year ended	Date of AGM	Location	Time
30-6-2004	31-03-2005	M. C. Ghia Hall	3:30 p.m.
30-6-2003	26-12-2003	M. C. Ghia Hall	3:00 p.m.
30-6-2002	30-12-2002	M. C. Ghia Hall	3:00 p.m.

A resolution was proposed during the year through postal ballot, to obtain consent of the shareholders under section 293(1)(a) of the Companies Act, 1956 to charge / mortgage the fixed assets of Sugar and Storage Divisions of the Company in favour of Yes Bank Ltd. for granting the Company a loan of Rs.25 crores partly for prepayment of dues to the existing term lenders and the balance for long term working capital requirements. Mr. Prashant Diwan was appointed as Scrutinizer who had submitted his Report on 13th June 2005. As per his report the resolution was passed in favour by the requisite majority.

10. Disclosures:

- No transaction of material nature has been entered into by the Company with its Promoters, the Directors, the Management, their subsidiaries or relatives, etc. that may have a potential conflict with the interests of the Company. However, the Company has given in the notes to accounts, a list of related parties as per Accounting Standard 18 and the transactions entered into with them.
- There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years. Hence, the question of penalties or strictures being imposed by SEBI or the Stock Exchanges or any Statutory Authority does not arise.

11. Means of communication:

The Board takes on record the unaudited quarterly financial results in the prescribed Proforma of the stock exchange within one month of the close of the quarter and announces forthwith the results to the Mumbai Stock Exchange where the shares of the Company are listed. The quarterly unaudited financial results are also published in Free Press Journal and Nav Shakti within 48 hours of the conclusion of the meeting of the Board in which they are approved.

Management Discussion & Analysis report has been included as a part of Annual Report.

12. General Shareholders information:

- Registered Office : Oriental House, 7, J. Tata Road, Churchgate, Mumbai-400020
- Plant Locations : Sugar Factory, Distillery & Bottling at Baheri, Dist. Bareilly, U. P. Storage Terminals I & II at Kandla, Gujarat.
- Annual General Meeting
 - Date : 26.10.2005
 - Time : 3:30 P. M.
 - Venue : M. C. Ghia Hall, 2nd Floor, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai.

KESAR ENTERPRISES LTD.

- d. Next Financial Year ending : 30th June 2006
- e. Next Annual General Meeting : By 31st December 2006
- f. Financial Reporting
 For the 1st quarter ending 30th September 2005 : By 31st October 2005
 For the 2nd quarter ending 31st December 2005 : By 31st January 2006
 For the 3rd quarter ending 31st March 2006 : By 30th April 2006
 For the 4th quarter ending 30th June 2006 : By 31st July 2006
- g. Date of Book Closure : 20.10.2005 to 26.10.2005
- h. Listing on Stock Exchange : Mumbai
- i. Stock Exchange Code Number : 507180
- j. Demat ISIN numbers in NSDL & CDSL : INE133BO1019

Address for correspondence by the Shareholders of the Company:

M/s. Sharex Dynamic (India) Pvt. Ltd.

Registrar & Share Transfer Agents,

(1) 17/B, Dena Bank Building,
2nd Floor, Horniman Circle,
Fort, Mumbai – 400 001

Tel : 2264 1376 / 2264 13 49
Fax: 2264 13 40

(2) Luthra Indl. Premises,
Andheri Kurla Road,
Safed Pool, Andheri (E),
Mumbai – 400 072

Tel.: 2851 28 85
Fax: 2851 78 85

Kesar Enterprises Ltd.

Oriental House,
7, J. Tata Road,
Churchgate,
Mumbai-400020

Tel: 22042396 / 22851737
Fax: 22876162

Email: Kesar@bom3.vsnl.net.in

Share Transfer System:

The shares sent for transfer are generally registered & returned within the time limits.

Demat Information:

As on 30.06.2005 about 89.26% of the total shareholding in the Company representing 56,58,695 shares have been converted into demat.

Stock Market Data:

The monthly high / low quotation of shares traded on Mumbai Stock Exchange is as follows:

Mumbai Stock Exchange		
Month	High	Low
July 2004	31.40	23.10
August 2004	37.85	27.30
September 2004	36.75	27.10
October 2004	33.85	27.00
November 2004	39.20	26.00
December 2004	63.60	31.00
January 2005	77.05	48.90
February 2005	100.50	62.60
March 2005	101.80	67.75
April 2005	89.95	71.10
May 2005	82.15	60.15
June 2005	91.90	67.10

Distribution of shareholding as on 30th June 2005:

Shareholding in Nominal Value of	Share Holders		Share Amount			
	Rs	Rs	Number	% to Total	In Rs.	% to Total
Upto - 5,000			4629	87.39	6755580	10.66
5,001 - 10,000			341	6.44	2704770	4.27
10,001 - 20,000			162	3.06	2367610	3.73
20,001 - 30,000			57	1.08	1445540	2.28
30,001 - 40,000			22	0.41	782660	1.23
40,001 - 50,000			23	0.43	1062580	1.68
50,001 -1,00,000			34	0.64	2428620	3.83
1,00,001 - and above			29	0.55	45845790	72.32
Total			5297	100.00	63393150	100.00

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Categories of Shareholders as on 30th June 2005:

Sr.No.	Category	No. of Shares Held	% of Shareholding
A.	PROMOTERS HOLDING		
1.	Promoters: - Indian Promoters	2088883	32.950
	- Foreign Promoters	Nil	Nil
2.	Persons acting in concert	1159054	18.285
	Sub Total:	3247937	51.235
B.	NON-PROMOTERS HOLDING		
	INSTITUTIONAL		
a.	Mutual Funds & UTI	1700	0.027
b.	Banks, Financial Institutions, Insurance Companies (Central/State Govt.Institutions/Non-Govt.Institutions)	952628	15.027
c.	FIs	Nil	Nil
	Sub Total:	954328	15.054
C.	OTHERS:		
a.	Private Corporate Bodies	254542	4.015
b.	Indian Public	1818425	28.685
c.	NRI's/ OCB's	37617	0.594
d.	Clearing Members	26466	0.417
	Sub Total:	2137050	33.711
	GRAND TOTAL:	6339315	100.00

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT.

To the Members of
Kesar Enterprise Ltd.

1. We have examined the compliance of conditions of Corporate Governance by Kesar Enterprises Ltd. for the year ended June 30, 2005 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange in India.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and explanations given to us, and the representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.
4. As required by the Guidance Note issued by the Institute of Chartered Accounts of India and based on the certificate received from the share transfer agent, we state that no investor grievances were pending for a period exceeding one month against the Company as on 30th June, 2005.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
For N. N. JAMBUSARIA & CO.
Chartered Accounts
N. N. Jambusaria
Partner
Membership No. : 35520

Mumbai
23rd September, 2005.

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of Kesar Enterprises Limited as at 30th June, 2005, the Profit and Loss Account for the year ended on that date and also the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We further report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of those books. A firm of Chartered Accountants has certified the Sales of Country Liquor at the various Depots in Uttar Pradesh on which we have relied.
3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by the report are in agreement with the books of account.
4. On the basis of written representation received from the directors as on 30th June, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 30th June, 2005 from being appointed as a director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
5. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
6. Attention is invited to the following notes in Schedule 22;
 - i. *Note No. 5 in respect of accumulated losses of Amber Distilleries Limited.*

Subject to the foregoing, 'in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and other notes thereon 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 of the Company's affairs as at 30th June, 2005;
 - (b) in the case of Profit & 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.
7. As required by the Companies (Auditors Report) Order, 2003, issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we further state that:-
 - i. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets *except for each individual asset purchased before 1st October, 1965 in case of Sugar, Distillery and Farms Divisions and before 1st October, 1967 of Head Office.*
 - b. We are informed that the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies have been noticed in respect of assets so verified during the year. In our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.

In respect of assets given on lease, Company has received confirmation from the party during the year 1998-99.
 - c. The Company has disposed off Land at Goregaon as stated in Note No. 6. This has not affected the going concern.

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- ii. In our opinion, based on the information and explanations given and records maintained:
- a. The inventories have been physically verified by the management at reasonable intervals. In respect of sugar stock pledged with the banks, confirmations have been received as on June 30, 2005.
 - b. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. The Company has maintained proper records of inventory. No material discrepancies were noticed on physical verification.
- iii. a. The Company has given interest free advances in the nature of loans to its wholly owned. Subsidiary Company, Amber Distilleries Limited amounting to Rs.58.06 Lacs as on 30th June, 2005. There are no stipulations as to the repayment of the said advances.
- Subject to above, the Company has not given any loans, secured or unsecured, to the companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b. The Company has taken unsecured loans amounting to Rs.153.27 Lacs from three parties covered in the register maintained under section 301 of the Act. The rate of interest and other terms and conditions of loans taken by the Company are prima facie not prejudicial to the interest of the Company. The Company is regular in payment of principal amount and interest.

Subject to above, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and for the sale of goods.
- During the course of our audit, no major weakness has been noticed in the internal controls.
- v. In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register maintained under section 301 have been so entered. These transactions have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder, with regard to the deposits accepted from the public.
- vii. The Company has internal audit system commensurate with the size and nature of its business.
- viii. In case of Sugar and Alcohol manufacturing activities at Baheri, we have broadly reviewed the books of account maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix. a. According to the information and explanations given to us and the records of the Company examined by us, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, income tax, wealth tax and other statutory dues applicable to it. However, *there is minor delay in few cases in depositing tax deducted at source.*
- b. According to the information and explanations given to us, no undisputed dues payable in respect of income tax, sales tax, wealth tax, customs duty and cess were outstanding as at 30th June, 2005 for a period of more than six months from the date they became payable.
 - c. According to the information and explanations given to us, details of dues of Sales Tax, Income Tax, Excise duty and other statutory dues which have not been deposited on account of any dispute are as under:-

KESAR ENTERPRISES LTD.

Nature of the Dues	Amount (Rs. In Lacs)	Forum where dispute is pending.
Sales Tax	147.81	High Court Allahabad.
	41.81	Tribunal – Trade Tax Bareilly.
	12.54	Jt. Commissioner – Trade Tax Bareilly.
Excise Duty	60.42	High Court, Allahabad
	22.76	Tribunal, Bareilly.
Customs Duty	252.45	Customs, Excise and Gold (Control) Appellate Tribunal
Cess on WaterPollution	4.26	Chairman, U.P. Pollution Control Board.Lucknow.
Employee State Insurance	1.23	Civil Judge, Bareilly.
Purchase Tax on Sugarcane	1.81	High Court Allahabad
Society Commission on Sugarcane	4.25	High Court Allahabad

- x. The financial statements of the Company as on 30th June, 2005 do not show accumulated losses. The Company has not incurred any cash losses during the financial year covered by our report and in the immediately preceding financial year.
- xi. According to the information and explanations given to us and based on the records examined by us, there is no default in respect of repayment to Banks / Financial Institutions.
- xii. According to the information and explanations given to us and the records of the Company examined by us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- xiv. The Company does not deal or trade in shares and securities. Therefore, clause 4(xiv) of the Companies (Auditor's Report) order 2003 is not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. According to the information and explanations given to us the Company has taken car loans and a term loan during the year which have been applied for the purposes for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flows of the Company, we report that the Company has not utilized the funds raised on short term basis for long term investment and vice versa.
- xviii. The Company has not made any preferential allotment of shares during the year.
- xix. The Company has not issued any debentures during the year.
- xx The Company has not raised any money by way of public issue during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of
N.N. JAMBUSARIA & CO.
Chartered Accountants

N.N.JAMBUSARIA
Partner
Membership No. 35520

Mumbai:
23rd September, 2005

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BALANCE SHEET as at 30th June, 2005

	Schedule No.	(Rs in Lacs) As at 30th June, 2004	
Sources of Funds :			
1. Shareholders' Funds :			
(a) Share Capital	1	833.93	833.93
(b) Reserves and Surplus	2	3,271.71	3,409.50
		<u>4,105.64</u>	<u>4,243.43</u>
2. Deferred Tax Liability (Net)		417.15	277.28
3. Loan Funds :			
(a) Secured Loans	3	7,146.91	6,520.37
(b) Unsecured Loans	4	360.19	437.67
		<u>7,507.10</u>	<u>6,958.04</u>
Total		<u><u>12,029.89</u></u>	<u><u>11,478.75</u></u>
Application of Funds :			
1. Fixed Assets :	5		
(a) Gross Block		13,660.10	13,292.96
(b) Less: Depreciation/Land Premium written off		7,962.12	7,527.07
(c) Net Block		5,697.98	5,765.89
(d) Capital Work-in-Progress		306.79	374.00
		<u>6,004.77</u>	<u>6,139.89</u>
2. Investments	6	455.10	455.10
3. Current Assets, Loans and Advances :			
(a) Inventories	7	6,991.75	7,305.13
(b) Sundry Debtors	8	934.77	630.69
(c) Cash and Bank Balances	9	989.76	294.37
(d) Other Current Assets	10	5.49	4.16
(e) Loans and Advances	11	1,138.04	953.51
		<u>10,059.81</u>	<u>9,187.86</u>
Less: Current Liabilities and Provisions :	12		
(a) Current Liabilities		3,860.75	4,277.81
(b) Provisions		662.16	73.40
		<u>4,522.91</u>	<u>4,351.21</u>
Net Current Assets		5,536.90	4,836.65
4. Miscellaneous Expenditure to the extent not written off :			
Deferred Revenue Expenditure [See Note No.10]		33.12	47.11
Total		<u><u>12,029.89</u></u>	<u><u>11,478.75</u></u>

Notes forming part of the Accounts
As per our Report attached.

For and on behalf of
N.N.Jambusaria & Company
Chartered Accountants

N.N.Jambusaria
Partner
Mumbai, 23rd September, 2005

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For and on behalf of the Board of Directors

H. R. KILACHAND
Chairman & Managing Director

D.J.SHAH
Sr.General Manager (Legal)
& Company Secretary

K.D.SHETH
Director
Mumbai, 23rd September, 2005

PROFIT AND LOSS ACCOUNT for the year ended 30th June, 2005

	Schedule No.		(Rs in Lacs) Previous Year
1. Income :			
Sales and Services	13	25,959.46	24,555.65
Other Income	14	472.18	409.08
Income from Property under Development	17	201.61	—
Increase / (Decrease) in Stocks	15	2,584.11	(1,690.68)
Total		29,217.36	23,274.05
2. Expenditure :			
Raw Materials Consumed	16	12,058.46	8,790.62
Purchase of Trading Goods		—	15.11
Expenses on Sugarcane Plantations	18	299.04	272.41
Manufacturing and Other Expenses	19	13,621.00	12,781.08
Interest and Finance Charges	20	862.46	757.17
Depreciation (including Land Lease Premium written off Rs.0.19 Lac (Previous Year Rs.0.19 Lac)		512.96	500.43
Total		27,353.92	23,116.82
3. Profit before Tax & Extra Ordinary Items		1,863.44	157.23
4. Extra Ordinary Items- Cane Price Difference & Gratuity Arrears (See Note 15)		1,644.77	—
Less : Withdrawn from General Reserve		1,644.77	—
5. Profit/ (Loss) Before Tax		1,863.44	157.23
6. Provision for Taxation			
(i) Income Tax - Current		61.00	13.51
(ii) Income Tax - Deferred		139.88	14.42
(iii) Wealth Tax		0.83	0.81
7. Profit/ (Loss) After Tax		1,661.73	128.49
Add/(Less): Balance brought forward from previous year		74.79	—
Prior period adjustments	21	(11.41)	(53.70)
8. Profit available for appropriation		1,725.11	74.79
9. Appropriations :			
(i) Transferred to General Reserve		123.45	—
(ii) Proposed Preference Shares Dividend		3.78	—
(iii) Interim Dividend on Equity Shares		95.09	—
(iv) Proposed Final Dividend on Equity Shares		31.70	—
(v) Corporate Tax on Dividend		18.31	—
(vi) Balance Carried Forward to Balance Sheet		1,452.78	74.79
Total		1,725.11	74.79
Basic and diluted earnings per share		26.21	2.03
Notes forming part of the Accounts	22		

As per our Report attached.

For and on behalf of
N.N.Jambusaria & Company
Chartered Accountants

N.N.Jambusaria
Partner
Mumbai, 23rd September, 2005

For and on behalf of the Board of Directors

H. R. KILACHAND
Chairman & Managing Director

D.J.SHAH
Sr.General Manager (Legal)
& Company Secretary

K.D.SHETH
Director
Mumbai, 23rd September, 2005

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SCHEDULES FORMING PART OF BALANCE SHEET AS AT 30TH JUNE, 2005.

SCHEDULE : 1 SHARE CAPITAL

(Rs in Lacs)
As at
30th June, 2004

Authorised :

1,20,00,000	Equity Shares of Rs.10/- each	1,200.00	1,200.00
60,00,000	Redeemable Preference Shares of Rs.10/- each	600.00	600.00
	Total	<u>1,800.00</u>	<u>1,800.00</u>

Issued Subscribed and Paid Up :

63,39,315	Equity Shares of Rs. 10/- each fully paid up [of the above 31,30,280 Equity Shares of Rs. 10/- each are allotted as fully paid up Bonus Shares by way of capitalisation of General Reserve]	633.93	633.93
20,00,000	1 % Cummulative Redeemable Preference Shares of Rs. 10/- each fully paid up redeemable in 3 Annual Installments of Rs.67.00 Lacs, Rs.67.00 Lacs, Rs.66.00 Lacs on 10th August 2011, 10th August 2012 and 10th August 2013 respectively.	200.00	200.00
	Total	<u>833.93</u>	<u>833.93</u>

SCHEDULE : 2 RESERVES AND SURPLUS

(Rs in Lacs)
As at
30th June, 2004

Share Premium :

On Shares allotted on Conversion of Fully Convertible Debentures	578.81		578.81
Less : Amount in arrears	0.27		0.27
		578.54	578.54

General Reserve :

Balance as per last Balance Sheet	11.61		11.61
Additions : Transfers from :			
Debenture Redemption Reserve	410.00		—
Capital Reserve (See Note 6)	2,182.86		—
Profit & Loss A/c	123.45		—
Deductions :			
Extra Ordinary Items - Cane Price Difference & Gratuity arrears (See Note 15)	1,644.77		—
		1,083.15	11.61

Storage and Effluent Disposal Funds :

(i) Storage Fund for Alcohol :

(Earmarked from Sale of Alcohol)			
Balance as per last Balance Sheet	9.51		9.00
Add: Set aside this year	0.29		0.51
		9.80	9.51

(ii) Storage Fund for Molasses :

(Earmarked from Sale of Molasses)			
Balance as per last Balance Sheet	58.52		52.02
Add: Set aside this year	4.94		6.50
		63.46	58.52

(iii) Effluent Disposal Fund :

(Earmarked from Sale of Alcohol)			
Balance as per last Balance Sheet	7.76		7.22
Add: Set aside this year	0.31		0.54
		8.07	7.76

Debenture Redemption Reserve :

Balance as per last Balance Sheet	410.00		410.00
Less : Transferred to General Reserve	410.00		—
		—	410.00

Capital Reserve :

Balance as per last Balance Sheet	2,258.77		
Less : Transferred to General Reserve	2,182.86		
Amount credited on conversion of freehold land into Stock-in-Trade (See Note 6)		75.91	2,258.77
Surplus as per Profit and Loss Account		1,452.78	74.79
Total		3,271.71	3,409.50

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SCHEDULE : 3 SECURED LOANS

		(Rs in Lacs)	
		As at	
		30th June, 2004	
(A) NON-CONVERTIBLE DEBENTURES :			
19% 2,00,000 Non-Convertible Debentures of Rs.100/- each with Unit Trust Of India (UTI)	—		210.00
16% 8,00,000 Non-Convertible Debentures of Rs. 100/- each with Industrial Development Bank of India Ltd (IDBI)	—		640.28
Deferred Interest on Non-Convertible Debentures	—		225.72
		—	<u>1,076.00</u>
(B) TERM LOANS :			
ICICI Bank Ltd. (Guaranteed by the Chairman & Managing Director) From the Government of India (Modernisation Loan)	—		32.00
Yes Bank Limited (Term Loan) (See Note 8)	2,366.54		—
(C) SECURITY DEPOSIT :			
From Mahindra Gesco Developers Limited	—		1,200.00
(D) HIRE PURCHASE LOANS :			
(Secured by way of hypothecation of the equipments purchased out of the said loans and guaranteed by the former Chairman & Managing Director.)	—		40.56
(E) VEHICLE LOANS :			
(Secured by way of hypothecation of the vehicles purchased out of the said loans)	38.46		62.54
(F) BORROWINGS FROM BANKS :			
Cash Credit from Banks (Secured by hypothecation/pledge of stocks of Sugar, Stores,Spares,Spirit and Book Debts of Sugar Division, Current Assets of Distillery Division and guaranteed by the former Chairman & Managing Director.) (See Note 8)	4,741.91		3,981.56
(G) INTEREST ACCRUED AND DUE ON DEBENTURES & TERM LOANS :			
	—		112.15
Total	<u>7,146.91</u>		<u>6,520.37</u>

SCHEDULE : 4 UNSECURED LOANS

(A) Fixed Deposits		178.18	235.97
(Includes Rs.20.00 Lacs (Previous Year Rs. 20.00 Lacs) due to Chairman & Managing Director)			
(B) Short Term Loans, Advances & Deposits :			
From Others	172.99		188.90
Interest accrued and due	9.02		12.80
		182.01	<u>201.70</u>
Total		<u>360.19</u>	<u>437.67</u>



Schedule: 5 FIXED ASSETS

Particulars	GROSS BLOCK					DEPRECIATION			NET BLOCK	
	At Cost or book value as on 01-Jul-04	Additions during the Year	Sales/ deductions and adjustments during the Year	At Cost or book value as on 30-Jun-05	Upto 30-Jun-04	For the Year	Written back on assets sold or discarded	Total Depreciation/ Land Premium written off	As on 30-Jun-05	As on 30-Jun-04
Land										
Freehold	119.68	1.03	1.18	119.53	—	—	—	—	119.53	119.68
Land Premium	—	—	—	—	—	—	—	—	—	—
Lease hold Land Premium	5.73	—	—	5.73	3.36	0.19	—	3.55	2.18	2.37
Bhoomidari Land	—	—	—	—	—	—	—	—	—	—
Leasehold Land	30.86	—	0.11	30.75	1.58	0.11	—	1.69	29.06	29.28
	156.27	1.03	1.29	156.01	4.94	0.30	—	5.24	150.77	151.33
Building, Roads etc. (Exclusive of Labour Quarters erected out of Molasses Fund)										
Plant and Machinery	2,813.02	71.61	—	2,884.63	982.59	104.65	—	1,087.24	1,797.39	1,830.43
Electric Installations	8,965.42	308.55	—	9,273.97	5,668.41	317.90	—	5,986.31	3,287.66	3,297.01
Laboratory Equipments	137.99	—	—	137.99	68.05	7.34	—	75.39	62.60	69.94
Weigh Bridges	14.98	—	—	14.98	10.33	0.71	—	11.04	3.94	4.65
Railway Siding and Light Railway	108.77	16.58	—	125.35	54.26	8.04	—	62.30	63.05	54.51
Tube and Artisan Wells and Water Supply	4.69	—	—	4.69	4.21	0.07	—	4.28	0.41	0.48
Tractors, Ploughs, Carts etc.	86.16	6.64	—	92.80	32.54	2.79	—	35.33	57.47	53.62
Motor Cars, Lorries and Cycles	42.48	0.03	—	42.51	30.77	3.02	—	33.79	8.72	11.71
Furniture, Fixtures and Equipments	214.06	28.80	34.46	208.40	121.30	25.85	26.69	120.46	87.94	92.76
Drainage	685.82	22.87	53.22	655.47	527.30	40.27	51.22	516.35	139.12	158.52
Live Stock	62.72	—	—	62.72	22.37	2.02	—	24.39	38.33	40.35
	0.58	—	—	0.58	—	—	—	—	0.58	0.58
Total	13,292.96	456.11	88.97	13,660.10	7,527.07	512.96	77.91	7,962.12	5,697.98	5,765.89
Previous Year Total	11,918.23	1,517.42	142.69	13,292.96	7,143.97	500.43	117.33	7,527.07	5,765.89	—

Notes: (1) Cost of Buildings and Plant & Machinery includes Buildings of Rs.133.67 Lacs and Plant & Machinery of Rs.1,935.10 Lacs constructed on Leasehold Land.

(2) Cost of Plant & Machinery includes Machinery of Rs.482.00 Lacs purchased before 2001 under Hire Purchase Agreement and given on lease.

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SCHEDULE : 6 LONG TERM INVESTMENTS (AT COST)

(Rs in Lacs)
As at
30th June, 2004

(A) TRADE INVESTMENTS :			
(Unquoted)			
In fully paid Equity Shares :			
300	Shares of Rs. 100/- each of U.P. Seeds & Tarai Development Corporation Ltd.	0.30	0.30
5	Shares of Rs. 10/- each of Baheri Co-operative Cane Development Union Ltd. [Rs.50 (Previous Year Rs.50)]	—	—
17	Shares of Rs. 20/- each of Sahakari Ganna Vikas Samiti Ltd. [Rs.340 (Previous Year Rs.340)]	—	—
1	Share of Rs. 100/- of Ganna Beej Nigam, Bareilly [Rs.100 (Previous Year Rs.100)]	—	—
1	Share of Rs. 20/- of Bhojeepera Co-operative Cane Development Union Ltd. [Rs.20 (Previous Year Rs.20)]	—	—
		0.30	0.30
(B) OTHER INVESTMENTS :			
(i) In Government Securities :			
(Unquoted)			
	National Savings Certificates (Deposited as security with Government Departments)	0.37	0.37
(ii) In fully paid Equity Shares of Subsidiary Company: (Unquoted)			
1,40,000	Equity Shares of Rs. 100/- each of Amber Distilleries Ltd. [See Note No.5]	453.60	453.60
		453.60	453.60
(iii) In fully paid Equity Shares of other Joint Stock Companies : (Quoted)			
4,320	Equity Shares of Rs. 10/- each of Walchandnagar Industries Ltd.	0.27	0.27
9,230	Equity Shares of Rs.10/- each of The Shervan Industrial Syndicate Ltd.	0.23	0.23
180	Equity Shares of Rs. 100/- each of Indian Hume Pipe Co. Ltd.	0.18	0.18
		0.68	0.68
(iv) In fully paid Equity Shares of Co-operative Bank : (Unquoted)			
200	Shares of Rs. 25/- each of Jain Sahakari Bank Ltd.	0.05	0.05
	Total	455.00	455.00
(v) In fully paid Equity Shares of Antophill Warehousing Company Ltd: (Unquoted)			
10	Shares of Rs. 1,000/- each	0.10	0.10
	Total	455.10	455.10
Aggregate cost of Investments :			
Quoted		0.68	0.68
Unquoted		454.42	454.42
	Total	455.10	455.10
Market Value of Quoted Investments		25.83	10.07

SCHEDULE : 7 INVENTORIES

	(Rs in Lacs)	
	As at	
	30th June, 2004	
(As certified by the Chairman & Managing Director)		
Stores and Spares (At Cost)	568.95	536.04
Scrap Materials (At estimated realisable value)	2.95	26.73
By Products (At estimated realisable value)	242.77	215.17
Stock in trade :		
Raw Materials (At Cost)	225.87	257.42
Finished Goods (At lower of Cost or Market value)	5,744.68	3,162.89
Trading Goods (At Cost)	—	3.10
Work-in-Process (At Cost)	32.10	30.50
Crop-in-Progress (At Cost)		
(including preparation of land, irrigation etc.)	97.94	111.37
Property under Development		
(See Note No.6)	76.49	2,961.91
Total	6,991.75	7,305.13

SCHEDULE : 8 SUNDRY DEBTORS (UNSECURED)

Debts outstanding for a period exceeding six months :		
Considered Good	160.88	136.42
Considered Doubtful	31.20	31.20
Other Debts Considered Good	773.89	494.27
	965.97	661.89
Less: Provision for Doubtful Debts	31.20	31.20
Total	934.77	630.69

SCHEDULE : 9 CASH AND BANK BALANCES

Cash/Cheques/Drafts on Hand	16.04	105.70
Bank Balances with Scheduled Banks :		
In Current Accounts	897.72	109.04
In Fixed Deposit Accounts	73.53	76.98
In Post Office Savings Bank Account		
(Maximum Balance during the year Rs. 0.17 Lacs, Previous Year Rs.0.28 Lacs)	—	0.17
In Dividend Accounts with Scheduled Banks	2.47	2.48
Total	989.76	294.37

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SCHEDULE : 10 OTHER CURRENT ASSETS

	<i>(Rs in Lacs)</i>	
	<i>As at</i>	
	<i>30th June, 2004</i>	
Interest Accrued on Fixed Deposits with Banks	5.12	3.80
Interest Accrued on Investments	0.37	0.36
Total	<u>5.49</u>	<u>4.16</u>

SCHEDULE : 11 LOANS AND ADVANCES

<i>(Unsecured, Considered Good unless otherwise stated)</i>		
Advances to Subsidiary Company	58.06	49.18
Advances recoverable in cash or in kind or for value to be received		
Considered Good	817.81	694.00
Considered Doubtful	8.26	8.26
Loans & Advances to Employees		
<i>(Inclusive of Rs 14.17 Lacs (Previous Year Rs.16.45 Lacs) secured by charge on assets against which loans are granted.)</i>	<u>37.28</u>	<u>40.92</u>
	921.41	792.36
Less: Provision for Doubtful Advances	<u>8.26</u>	<u>8.26</u>
	913.15	784.10
Advance Payment of Income-Tax <i>(Including Tax Deducted at Source)</i>	106.33	67.49
Deposits with Government & Others	<u>118.56</u>	<u>101.92</u>
Total	<u>1,138.04</u>	<u>953.51</u>

SCHEDULE : 12 CURRENT LIABILITIES AND PROVISIONS

(A) Current Liabilities :		
Acceptances	3.35	5.35
Sundry Creditors	3,045.91	3,359.83
Interest accrued but not due on Loans, Deposits & Debentures	16.97	39.09
Advances and Deposits from Dealers/Customers	695.65	774.66
Deposit against Lease Rentals	96.40	96.40
Unclaimed Dividends	2.47	2.48
	<u>3,860.75</u>	<u>4,277.81</u>
(B) Provisions :		
Provision for Income Tax	77.35	16.35
Provision for Wealth Tax	5.77	4.94
Provision for Gratuity & Leave Encashment	430.16	52.11
Proposed Dividend on Preference Shares	3.78	—
Interim Dividend on Equity Shares	95.09	—
Proposed Final Dividend on Equity Shares	31.70	—
Corporate Tax on Dividend	18.31	—
	<u>662.16</u>	<u>73.40</u>
Total	<u>4,522.91</u>	<u>4,351.21</u>

KESAR ENTERPRISES LTD.

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2005.

SCHEDULE : 13 SALES AND SERVICES

		<i>(Rs in Lacs)</i> <i>Previous Year</i>
SALES		
Manufacturing Goods (Inclusive of Excise Duty)	24,811.33	23,584.01
Less: Transferred to Molasses and Alcohol		
Storage Funds and Effluent Disposal Fund	5.54	7.55
	24,805.79	23,576.46
Trading Goods	5.97	14.93
Agricultural Products (After adjusting		
Opening & Closing Stock)	426.21	318.91
Less: Value of Seed supplied to Own Division	52.01	88.92
Less: Value of Cane supplied to Own Factory	287.34	158.35
	86.86	71.64
SERVICES		
Storage and Handling	1,060.84	892.62
Total	25,959.46	24,555.65

SCHEDULE : 14 OTHER INCOME :

Dividends	0.48	0.63
Interest (Gross) (Tax Deducted at Source		
Rs.0.83 Lac)(Previous year Rs.0.99 Lacs)		
On Fixed Deposits	3.55	4.81
Others	3.31	1.83
Rent	2.57	9.34
Buffer Stock Subsidy	35.51	58.93
Sundry Receipts	133.79	103.73
Credit Balances written back	5.99	2.03
Govt Subsidy for Cane Development	144.72	139.97
Profit on Sale of Fixed Assets	127.08	57.41
Insurance Claims	15.18	30.39
Provision for Expenses no longer required	—	0.01
Total	472.18	409.08

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SCHEDULE : 15 INCREASE / (DECREASE) IN STOCKS

		<i>(Rs in Lacs)</i> <i>Previous Year</i>	
Closing Stock :			
Finished Goods	5,744.68		3,162.89
Trading Goods	—		3.10
Work-in-Process	32.10		30.50
By Products	242.77		215.17
Scrap Materials	2.95		26.73
		<u>6,022.50</u>	<u>3,438.39</u>
Opening Stock :			
Finished Goods	3,162.89		4,808.66
Trading Goods	3.10		—
Work-in-Process	30.50		31.75
By Products	215.17		247.14
Scrap Materials	26.73		41.52
		<u>3,438.39</u>	<u>5,129.07</u>
INCREASE / (DECREASE)	Total	<u><u>2,584.11</u></u>	<u><u>(1,690.68)</u></u>

SCHEDULE : 16 RAW MATERIALS CONSUMED

Sugar Cane(inclusive of Transport, Commission and Other Expenses)	9,901.20		8,018.91
Less: Value of Cane supplied by Own Farm	287.34		158.35
		<u>9,613.86</u>	<u>7,860.56</u>
Sugar Cane Purchase Tax		165.40	159.97
Raw Seeds	147.80		104.81
Less: Value of Seeds supplied by Own Farm	52.01		88.92
		<u>95.79</u>	<u>15.89</u>
Molasses and Spirits		2,183.41	754.20
	Total	<u><u>12,058.46</u></u>	<u><u>8,790.62</u></u>

SCHEDULE : 17 INCOME FROM PROPERTY UNDER DEVELOPMENT

		<i>(Rs in Lacs)</i>
		<i>Previous Year</i>
Property under Development :		
Opening Stock	2,961.91	2,961.35
Add : Expenses incurred during the year	—	0.56
	<u>2,961.91</u>	<u>2,961.91</u>
Less: During the year transactions including sale (See Note 6)	3,087.03	—
	<u>125.12</u>	<u>2,961.91</u>
Add: Closing Stock	76.49	2,961.91
	<u>201.61</u>	<u>—</u>
Total	<u>201.61</u>	<u>—</u>

SCHEDULE : 18 EXPENSES ON SUGAR CANE PLANTATIONS

(Inclusive of Crop-in-Progress at Commencement and Exclusive of Crop-in-Progress at Close)

Crop-in-Progress at Commencement	111.37	128.29
Sowing, Harvesting, Irrigation, Seeds, Manures and Transport	201.73	171.07
Stores Consumed	19.05	15.87
Power & Fuel	1.78	4.57
Machinery Repairs	4.34	2.54
Building Repairs	0.41	0.65
Sundry Repairs	1.29	1.16
Rates and Taxes	1.30	1.27
Salaries and Wages	37.52	37.79
Contribution to Provident Fund	2.58	2.99
Workmen and Staff Welfare Expenses	1.44	1.82
Miscellaneous Expenses	14.17	15.76
	<u>396.98</u>	<u>383.78</u>
Less: Crop-in-Progress at close	97.94	111.37
Total	<u>299.04</u>	<u>272.41</u>

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SCHEDULE : 19 MANUFACTURING AND OTHER EXPENSES

	<i>(Rs in Lacs)</i> <i>Previous Year</i>	
Storage and Handling Charges	47.00	39.89
Stores and Spares Consumed	2,339.34	2,179.40
Power and Fuel	498.55	392.69
Repairs :		
Plant and Machinery	338.87	410.37
Buildings	27.25	36.04
Others	34.94	46.24
Rent	51.30	50.09
Salaries, Wages & Bonus	1,210.21	1,126.97
Company's Contribution to Provident and Other Funds	136.93	132.17
Workmen and Staff Welfare Expenses	34.32	31.93
Insurance	70.86	66.35
Rates and Taxes	255.46	165.81
Excise Duty	7,111.32	6,740.99
Selling Agents' Commission & Brokerage	33.62	35.99
Legal and Professional Charges	105.57	74.18
Discount	64.69	31.74
Miscellaneous Expenses	1,221.63	1,119.44
Charity and Donations	1.61	1.65
Directors' Fees	1.92	1.21
Auditors' Remuneration :		
Audit Fees	2.92	2.75
In Other Capacities :		
For Certification	0.47	1.34
For Tax Matters	1.62	0.15
For Other Matters	1.08	0.15
Out of Pocket Expenses	1.60	1.58
Cost Audit Fees	0.32	0.30
Bad Debts/Advances written off	3.05	30.59
Loss on Assets discarded/scrapped	3.12	19.24
Deferred Revenue Expenditure written off	21.43	41.83
Total	<u>13,621.00</u>	<u>12,781.08</u>

SCHEDULE : 20 INTEREST & FINANCE CHARGES

	<i>(Rs in Lacs)</i>	
	<i>Previous Year</i>	
On Fixed Deposits (Includes Rs.2.74 Lacs (Previous Year Rs. 2.43 Lacs) paid to Chairman & Managing Director	25.11	33.88
On Fixed Loans and Debentures	157.81	45.78
On Cash Credit	563.03	555.99
Others	116.51	121.52
Total	862.46	757.17

SCHEDULE : 21 PRIOR PERIOD ADJUSTMENTS

CREDITS :

1. Income of Previous Year	—	12.28
Total	—	12.28

DEBITS :

1. Expenses of Previous Year	11.41	65.98
Total	11.41	65.98
Net	(11.41)	(53.70)

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SCHEDULE: 22 NOTES FORMING PART OF THE ACCOUNTS

1. Significant Accounting Policies

A. Accounting Concepts

The Company follows the Mercantile System of Accounting and recognises Income and Expenditure on an accrual basis.

The Accounts are prepared on a historical cost basis and as a going concern. Accounting policies not referred to otherwise are consistent with the generally accepted accounting principles.

B. Revenue Recognition

Income is generally recognised only when its collection or receipt is reasonably certain. Insurance Claims are recognised only when the claim is passed.

C. Fixed Assets

a) Fixed Assets except Freehold Land are stated at cost of acquisition less accumulated depreciation. Cost includes interest on borrowings, specific or otherwise, used for funding of Fixed Assets till the date of commissioning.

b) Leasehold Land and Premium on Leasehold Land is amortised over the period of lease.

D. Depreciation

a) Depreciation on the Bio-Gas Plant, Plant & Machinery installed for Expansion and Modernisation and Assets given on lease has been provided on a Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956.

b) For all other assets, depreciation is provided on a Written Down Value Method at the rates specified in Schedule XIV of the Companies Act, 1956.

c) For assets added / disposed off during the year, depreciation has been provided on a pro-rata basis with reference to the period, at the applicable rates.

d) Depreciation on Assets, whose actual cost does not exceed Rs.5,000/- is provided at the rate of hundred percent.

E. Capital Work-in-Progress

These are stated at cost to date relating to items or projects in progress, incurred during construction/ pre-operative period. Cost includes allocable interest.

F. Investments

Long term Investments are stated at cost. Current Investments are valued at lower of cost or fair market value.

G. Inventories

Raw Materials, Work-in-Process, Crop-in-Progress and Stores and Spares are valued at cost.

Finished Goods and Trading Goods are valued at lower of cost or market value. Cost includes applicable overheads.

By-Products and Scrap Materials are valued at estimated realisable value.

Property under development includes Freehold land valued at Fair Market Value as on the date of conversion into Stock in Trade and expenses incurred thereon.

H. Miscellaneous Expenditure

a. Expenses on new projects on hand are carried forward for capitalisation upon completion of the projects.

b. Deferred Revenue Expenditure is being written off over a period of five years.

I. Foreign Currency Transactions

Transactions arising in foreign currency are converted at the rates ruling on the transaction dates. Liabilities payable in foreign currency are reinstated at year-end exchange rates. All exchange differences arising from conversion are charged to Profit and Loss Account except exchange differences on liabilities for purchase of Fixed Assets which are capitalised.

J. Research & Development Expenditure

Revenue Expenditure on Research and Development is charged to Profit and Loss Account in the year in which it is incurred. Capital Expenditure on Research and Development is shown as an addition to Fixed Assets.

K. Retirement Benefits

The Company has various schemes of retirement benefits such as Provident Fund, Superannuation Fund, Leave Encashment and Gratuity. The Company's contribution to the Provident Fund and Superannuation Fund is charged against revenue every year. The Company has an arrangement with Life Insurance Corporation of India to administer its Superannuation and Gratuity Schemes. Provision for Leave Encashment is made on the basis of actuarial valuation. Provision for Gratuity is made on the basis of actuarial valuation made by Life Insurance Corporation Of India for every financial year which is pro rated upto 30th June.

L. Income-tax

Income tax expenses comprise of current tax including Fringe Benefit Tax (FBT) and deferred tax charge or credit. The deferred tax charge or credit is recognised at the tax rates enacted on the Balance Sheet date. Where there is an unabsorbed depreciation or carry forward loss, deferred tax Assets are recognised only if there is virtual certainty of realization of such Assets. Other deferred tax Assets are recognised only to the extent when there is reasonable certainty of realization in future. Deferred tax Assets/liabilities are reviewed as at each Balance Sheet date based on developments during the year.

2. a) Contingent Liabilities on account of Demands/Claims against the Company not acknowledged as debts and not provided for Rs.761.87 Lacs (*Previous Year Rs.755.53 Lacs*).
b) Arrears of Dividend on Cumulative Preference Shares of Rs. NIL (Previous Year Rs. 1.00 Lac).
3. The estimated amount of contracts remaining to be executed on Capital Account (net of advances) Rs.3.93 Lacs (*Previous Year Rs. 5.67 Lacs*).
4. Alcohol and Molasses Storage Funds and Effluent Disposal Fund amounting to Rs.81.33 Lacs are not deposited with a Scheduled Bank as required by the said Orders, under legal advice.
5. The Company has an investment of Rs.453.60 Lacs in Amber Distilleries Limited (ADL) a wholly owned Subsidiary. The accumulated losses of ADL stood at Rs.118.42 Lacs as at 31st March 2005. ADL has made bottling arrangement with various parties to utilise the available production capacity, which has improved the performance. In view of the above and having regard to the long-term involvement in the Subsidiary Company, no provision is considered necessary.
6. The Company had converted its Freehold Land situated at Goregaon, Mumbai into Stock-in-Trade for its real estate business on the basis of valuation made by approved valuers. The surplus of Rs.2,258.77 Lacs representing the excess of the estimated market value of the land over its cost as on the date of conversion had been credited to capital reserve. Based on an Award of Arbitration, the Company has sold during the year, a major portion of its land at Goregaon, Mumbai for Rs.2475 Lacs which was in 1996, transferred to Stock in trade as "Property Under Development", by creating a Capital Reserve of Rs.2258.77 Lacs. The Capital Reserve pertaining to the land sold is now transferred to General Reserve in view of the above sale and the Capital Reserve of Rs. 75.91 Lacs pertaining to the unsold land continues as Capital Reserve.

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7. Managerial Remuneration paid/payable to Chairman & Managing Director as per approval under Sections 310 & 198 (4)/309 (3) of the Companies Act, 1956, is as under :

	2004-2005	(Rs. in Lacs) 2003-2004
I Salary	4.80	4.80
II Contribution to Provident Fund & Superannuation Fund	1.30	1.30
III Perquisites	2.90	2.90
Total Rs...	<u>9.00</u>	<u>9.00</u>

The Company has recovered from the Chairman & Managing Director (CMD) for personal use of motorcar and telephone.

The above remuneration is based on Central Government approval dated 4th April 2003.

8. Term Loan from Yes Bank Ltd. is secured by way of first charge on all fixed assets of the Sugar Division and Storage and Handling division.

Cash Credit facility from U.P.Co-operative Bank Limited, is secured by way of Pledge of sugar stock. Cash Credit facility from Bank of Baroda is secured by way of Pledge of sugar stock and hypothecation of Stores, Spares, Spirit and Book Debts of Sugar Division and Current Assets of Distillery Division at Baheri, State of Uttar Pradesh (U.P.) and is further secured by joint mortgage on second charge basis on the fixed assets of the Sugar Division of the Company situated at Baheri, U.P.

9. In the absence of confirmations, the balances in respect of Loans and Advances, Sundry Debtors, Sundry Creditors, Acceptances, Deposits, Secured and Unsecured Loans, Other Accounts and National Savings Certificates deposited with the Government Authorities are taken as shown by the books of account and are subject to adjustments and reconciliations, if any.
10. A sum of Rs.106.04 Lacs paid under Voluntary Retirement Scheme (VRS) including Rs. 7.44 Lacs paid during the year is treated as Deferred Revenue Expenditure. Accordingly, a sum of Rs. 21.43 Lacs has been written-off during the year.
11. The Company has entered into arrangements with third Parties for Manufacture of its Indian Made Foreign liquor (IMFL) products for which the Company provides them necessary technical know-how, working capital and marketing services. The advances given to third parties under this arrangement primarily constitutes Bank Balances, Stocks and Sundry Debtors in their Books of account.

The Company has tied up with third parties for manufacture of their IMFL brands in its plant at Baheri for which necessary technical know-how, working capital and marketing services are provided by them. Transactions pertaining to such activities are included in the accounts of the company.

12. The Company's Accounting Year for the purpose of compliance with the provisions of the Companies Act, 1956 ended on 30th June 2005 and the previous year for tax purpose ended on 31st March 2005. The income if any for the period from 1/4/2005 to 30/6/2005 forming part of the annexed accounts will be assessed as a part of the composite income relevant to previous year ending 31st March, 2006 i.e. Assessment Year 2006-2007.

The Company has made provision for Current Income Tax of Rs.61.00 Lacs and Deferred Tax of Rs.139.88 Lacs for the financial year 2004-2005 pertaining to Assessment Year 2005-2006. Current Income Tax of Rs.61 Lacs includes Rs. 11.00 Lacs for provision of Fringe Benefit Tax for the period April 2005 to June 2005 pertaining to financial year 2005-2006.

Details of Deferred Tax are as under: Particulars	As on 30th June, 2005	(Rs. in Lacs) As on 30th June, 2004
Deferred Tax Liability		
Accumulated depreciation	809.29	836.23
Deferred revenue expenditure	—	2.00
Total Deferred Tax Liability	809.29	838.23
Deferred Tax Assets		
Expenses deductible on payment	57.58	130.72
Losses Carried Forward	—	57.41
Capital Losses Carried Forward	334.56	372.82
MAT Credit	—	—
Total Deferred Tax Assets	392.14	560.95
Net Deferred Tax Liability	417.15	277.28

The Company has recognised a Deferred Tax Asset of Rs.334.56 Lacs on capital losses carried forward.

13. Sundry Creditors include Rs.9.72 Lacs (*Previous year Rs. 1.09 Lacs*) due to Small Scale and Ancillary Industrial Undertakings.

Small Scale and Ancillary Industrial Undertaking to whom an amount of Rs.1.00 lac or more was payable and outstanding for more than 30 days (as per the terms & conditions of the orders) are as under:-

- | | |
|---------------------------------|---------------|
| 1 M/s. Mangla Rubber Industries | Rs. 1.01 Lacs |
| 2 M/s. Anand Brothers | Rs. 7.68 Lacs |

This disclosure is on the basis of information available with the Company regarding the status of Suppliers as defined under the "Interest on delayed payments to Small Scale and Ancillary Industrial Undertaking Act, 1993."

14. Sundry Debtors of Rs 52.01 Lacs and advances of Rs 52.55 Lacs are outstanding since a long time and not recovered till date. The Company has initiated legal proceedings against some of the Parties. In the opinion of the management, the same are considered good and recoverable. Hence, no provision has been made in the accounts.
15. a) Pursuant to the decision of the Supreme Court upholding the State Government's power to fix the Cane price , the Company has during the current year provided and paid the difference of cane price, between State Advised Price (SAP) and Statutory Minimum Price (SMP) in respect of season 1996-97 amounting to Rs.157.71 Lacs, for season 2002-03 amounting to Rs. 759.32 lacs & for season 2003-04 amounting to Rs.374.92 Lacs, totalling to Rs.1291.95 Lacs.
- b) The Company has made provision for Gratuity for earlier years of Rs. 352.82 Lacs during the year .
The above amounts of Rs.1291.95 Lacs and Rs.352.82 Lacs totalling to Rs.1644.77 Lacs pertaining to earlier years, has been reflected under " Extraordinary Items" and an equal amount has been withdrawn from the General Reserve.
16. The Company had given Bank Guarantees to Government of India in respect of Levy Price realization. Subsequently the Government has adjusted the amounts from the Buffer Stock Subsidy receivable by the Company and has also encashed the Bank Guarantees, which has resulted in excess payment of Rs.16.80 Lacs to the Government of India. The Company is following up with Government Authorities for refund.
17. Segmental Reporting Disclosures under Accounting Standard 17

Business Segments:

Based on the guiding principles given in Accounting Standard 17 "Segmental Reporting" issued by the Institute of Chartered Accountants of India, the Company's primary business segments are

- a. Sugar
- b. Distillery
- c. Storage and Handling

Geographical Segments:

Since the Company's activities/operations are primarily within the country and considering the nature of products it deals in, the risk and returns are same and as such there are no geographical segments.

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Financial Information about the primary business segment is presented in the table below: (Rs. in Lacs)

	Sugar	Distillery	Storage & Handling	Others	Total
For the Year ended 30th June, 2005 indicated in bold. Previous year figures indicated in the row therebelow:					
Segmental Revenue					
Sales	12814.13	11756.93	1060.84	614.90	26246.80
	13,501.93	10,038.74	892.62	280.71	24,714.00
Other Income	246.18	74.35	3.49	11.40	335.42
	250.50	73.68	13.07	12.49	349.74
Less : Inter Segment Revenue				287.34	287.34
				158.35	158.35
Add : Unallocable Income					338.37
					59.34
Total Revenue					26633.25
					24,964.73
Segmental Result before Interest & Taxation	2071.88	85.02	664.33	109.94	2931.17
	785.17	57.16	474.99	33.95	1,351.27
Less : Segmental Interest	597.44	13.06	0.76	0.17	611.43
	514.05	27.15	0.28	0.05	541.53
Segmental Result before Taxation	1474.44	71.96	663.57	109.77	2319.74
	271.12	30.01	474.71	33.90	809.74
Less : Unallocable Expenses Net of Unallocable Income					456.30
					652.51
Less : Loss on sale of Investments					—
					—
Profit /(Loss) Before Taxation					1863.44
					157.23
Less : Provision for Tax					61.83
					14.32
Less : Deferred Tax					139.88
					14.42
Profit /(Loss) after Tax					1661.73
					128.49
Segmental Assets	8189.92	4258.55	1563.61	387.40	14399.48
	6,240.99	3,296.22	1,519.77	376.58	11,433.56
Unallocable Assets/ Investments					2120.17
					4,349.29
Total Assets					16519.65
					15,782.85
Segmental Liabilities	6257.09	1642.68	85.31	64.26	8049.34
	5,790.05	1,125.56	105.04	48.85	7,069.50
Share Capital & Reserves Less Miscellaneous Expenditure					4072.51
					4,196.32
Unallocable Liabilities					4397.80
					4,517.03
Total Liabilities					16519.65
					15,782.85
Capital Expenditure including Capital Work in Progress	129.80	196.05	37.13	19.56	382.54
	696.19	190.72	27.18	18.57	932.66
Unallocable					6.35
					33.71
Total					388.89
					966.37
Depreciation	209.27	117.09	104.75	10.91	442.02
	193.59	108.84	104.08	15.22	421.73
Unallocable Depreciation					70.94
					78.70
Total Depreciation					512.96
					500.43
Non Cash Expenditure other than depreciation	18.15	1.78			19.93
	16.79	23.53			40.32
Unallocable Non Cash Expenditure other than depreciation					1.51
					1.51
Total					21.44
					41.83

Segment revenue, results, Assets and liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

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Nature of Transaction	Subsidiary Companies	Associates	Key Managerial Personnel And Relatives	(Rs. In Lacs) Enterprises over which influence exists
Balance Outstanding as on 30th June, 2005 indicated in bold. Previous year figures indicated in the row therebelow:				
Advances to Subsidiary Company	58.06 49.18			
Security Deposit		— 1,200.00		
Sundry Creditors		— 577.06		36.52 16.36
Sundry Debtors				— —
Investments	453.60 453.60			
Fixed Deposits			23.00 23.00	
Inter Corporate Deposits				153.27 138.90

19. Additional Disclosure as required by the amended clause 32 of the listing agreement with Bombay Stock Exchange:

Sr. No.	Name	Balance as at 30 th June 2005	Maximum amount outstanding during the year	No. of shares of the Company held by the loanee as at 30 th June 2005	(Rs. in Lacs)
---------	------	---	--	--	---------------

(A) Loans and advances in the nature of loans to Subsidiaries, Associates and companies in which Directors are interested:

1. Amber Distilleries Limited	58.06	58.06	—
-------------------------------	-------	-------	---

20. Earnings per share has been calculated as under

	2004-2005	2003-2004
Profit/(Loss) after Tax (Rs. in Lacs)	1661.73	128.49
No of Equity Shares	63,39,315	63,39,315
Basic and diluted earnings per share – Rupees (Face value of share – Rs. 10 each)	26.21	2.03

21. Quantitative information of Manufacturing and Trading activities is given in Annexure I.

22. Previous year figures have been regrouped and recasted wherever necessary.

As per our Report attached.

For and on behalf of
N.N.Jambusaria & Company
Chartered Accountants

N.N.Jambusaria
Partner
Mumbai, 23rd September, 2005

For and on behalf of the Board of Directors

H. R. KILACHAND
Chairman & Managing Director

D.J. SHAH
Sr.General Manager (Legal)
& Company Secretary

K.D.SHETH
Director

Mumbai, 23rd September, 2005



Annexure I

Annexure to Note No. 21 Quantitative Information of Manufacturing and Trading activities :

		* Licenced Capacity		Installed Capacity		Actual Production		Opening Stock		Closing Stock		** Sales	
		Capacity	Capacity	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
A) Manufacturing activities of the Company :													
(I) Sugar Division :													
(1)	Sugar	Sugar Cane	Sugar Cane	Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs
		Crushing	Crushing										
	(LOI)-	6500 TCD	6500 TCD	840,100	2,787.27	220,030	2,787.27	367,694	5,061.24	692,436	11,595.09		
	(LOI)-	(6500 TCD)	(6500 TCD)	(798,665)	(4,303.51)	(349,666)	(4,303.51)	(220,030)	(2,787.27)	(926,981)	(12,962.89)		
		K.L.	K.L.	K.L.	Rs. in Lacs	K.L.	Rs. in Lacs	K.L.	Rs. in Lacs	K.L.	Rs. in Lacs	K.L.	Rs. in Lacs
(1)	Distillery Division :	16,365.00	16,365.00	11,274.63	14.43	125.06	14.43	311.73	64.03	11,041.27	710.81		
(1)	Rectified Spirit	(16,365.00)	(16,365.00)	(11,552.05)	(70.19)	(609.41)	(70.19)	(125.06)	(14.44)	(11,981.98)	(647.84)		
(2)	Denatured Spirit			377.82	3.74	18.72	3.74	44.59	9.36	350.25	84.05		
				(178.80)	(4.62)	(30.79)	(4.62)	(18.72)	(3.74)	(189.91)	(35.32)		
(3)	Special Denatured Spirit			423.01	0.75	7.48	0.75	7.58	1.14	422.00	80.70		
				(1,937.72)	—	—	—	(7.48)	(0.75)	(1,926.00)	(229.52)		
(4)	Country Liquor			7,127.28	250.51	284.52	250.51	481.57	458.53	6,893.88	7,017.74		
				(6,926.50)	(295.69)	(346.60)	(295.69)	(284.52)	(250.52)	(6,868.39)	(6,967.34)		
(5)	Extra Neutral Alcohol	6,000	6,000	1,970.76	0.51	3.21	0.51	20.90	5.10	1,941.09	210.60		
		(6,000)	(6,000)	(2,309.25)	(50.23)	(339.40)	(50.23)	(3.21)	(0.51)	(2,631.22)	(174.86)		
(6)	Indian Made Foreign Liquor (IMFL)	3,070	2,160.0	14,339.52	44.31	141.13	44.31	392.22	140.25	14,033.37	3,627.35		
		(3,070)	(2,160)	(4,056.65)	(83.96)	(136.52)	(83.96)	(141.13)	(44.31)	(4,032.69)	(1,968.54)		
(7)	CO 2			1,016,085.00	—	—	—	19,203.00	0.38	996,882.00	19.71		
				—	—	—	—	—	—	—	—		
(8)	Miscellaneous				0.09		0.09		0.09		—		
					(0.45)		(0.45)		(0.09)		(0.38)		
(III)	Processed Seeds			Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs
				19,594.64	61.26	7,730.02	61.26	250.31	4.57	27,193.44	240.70		
				(13,192.23)	—	—	—	(7,730.02)	(61.26)	(5,462.21)	(50.72)		
(IV)	Agricultural Products												

Quantities shown are exclusive of Reprocessing, Wastages, Shortages & Excesses

* As certified by the Managers of the Company on which the Auditors have relied.

** Inclusive of interdivision & intradivision transfers.

TCD = Tonnes Cane per day

Qtls. = Quintals

K.L. = Kilo Litres

K.G. = Kilo Grams

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Annexure to Note No 21 (Contd.)

(Rs. in Lacs)

(B) Trading activities of the Company	I M F L			
	Quantity K.L.	Amount Rs.		
Opening Stock	13.50	3.10		
	—	—		
Purchase	— (65.09)	— (15.11)		
Sales	13.50 (51.59)	5.97 (14.93)		
Closing Stock	— (13.50)	— (3.10)		
(C) Information regarding Raw Materials Consumed	Product	Quantity	Amount	
(1) Sugar Division	Sugar Cane (Inclusive of 2,59,503 Qtls. from Own Farm [Previous Year 1,72,375 Qtls.]	85,29,428 Qtls. (80,86,017 Qtls.)	10,066.61 (8,178.88)	
(2) Distillery Division	Molasses (Inclusive of 3,29,358 Qtls. from Sugar Division [Previous Year 4,33,336 Qtls.]	4,99,245 Qtls. (4,78,785 Qtls.)	1,912.80 (612.91)	
	Malt Spirit	7.196 K.L. (7.375 K.L.)	3.54 (3.31)	
	Spirit (Inclusive of 409 KL from Distillery Division [Previous Year 184 KL])	621.04 K.L. (591.83 K.L.)	267.08 (137.98)	
(3) Seed Division	Seeds (Inclusive of 7,740 Qtls. from Own Farm [Previous Year 5,853 Qtls.]	20,078 Qtls. (13,165 Qtls.)	147.80 (104.81)	
Value and Percentage of Consumption of Raw Materials,Stores and Spares	Raw Materials	Stores and Spares		
	Rs.in Lacs	Percentage	Rs.in Lacs	Percentage
Imported	— (—)	— (—)	— (—)	— (—)
Indigenous (including canallised items & cane supplied from Own Farms)	12,397.83 (9,037.89)	100.00 (100.00)	2,339.34 (2,179.40)	100.00 (100.00)
(D) Expenditure in Foreign Currency on account of travelling	13.92 (6.52)			
(E) Value of Imports on C.I.F basis :				
(i) Spare Parts	— —			
(ii) Capital Items	— —			
(F) Earnings in foreign exchange :				
(a) Export of goods on F.O.B. basis	Nil (Nil)			

KESAR ENTERPRISES LTD.

Cash Flow Statement for the year ended 30th June,2005

		Previous Year (Rs in Lacs)
A CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT/(LOSS) BEFORE TAX	1,863.44	157.23
Adjustments for :		
Depreciation	512.96	500.43
Dividend Income	(0.48)	(0.63)
Interest Income	(6.86)	(6.64)
Interest and Finance Charges	862.46	757.17
Fund & Effluent Disposal Fund	5.54	7.55
Extraordinary Items set off against General Reserve	(1,644.77)	
Profit on sale of Fixed Assets/ Investments	(127.08)	(57.41)
Profit on sale of Property under Development	(201.61)	—
Assets Discarded/Scrapped	3.12	19.24
Miscellaneous Expenditure written off	21.43	41.83
Credit Balances Written Back	(5.99)	(2.03)
Bad Debts/Advances written off	3.05	30.59
Provision for expenses no longer required	—	(0.01)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,285.21	1,447.32
Adjustments for :		
Inventories	313.38	1,644.18
Trade and Other Receivables	(307.13)	43.50
Loans & Advances	(145.69)	179.63
Trade Payables	(309.93)	(1,228.84)
Other Current Liabilities	299.04	136.06
CASH (USED IN) / GENERATED FROM OPERATIONS	1,134.88	2,221.85
Interest Paid	(1,226.23)	(963.87)
Taxes (Paid)/ Refunds	(38.85)	(18.88)
Prior Period Adjustments	(11.41)	(53.70)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	(141.61)	1,185.40
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets / Capital Work-in-Progress	(388.90)	(966.37)
Sale/Scrap of Fixed Assets	336.63	63.53
Sale / (Purchase) of Investments	—	0.29
Interest Received	5.53	6.81
Dividend Received	0.48	0.63
Deferred Revenue Expenditure	(7.44)	(24.15)
NET CASH (USED IN) / FROM INVESTING ACTIVITIES	(53.70)	(919.26)

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Cash Flow Statement for the year ended 30th June,2005 (contd.)

		Previous Year (Rs in Lacs)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long term Borrowings	—	
Repayment of Term Loans	1,468.70	(151.86)
Increase/ (Decrease) in Bank Borrowings	760.35	(233.25)
Increase/ (Decrease) in Short Term Borrowings	(1,338.34)	211.84
Dividends Paid	(0.01)	(0.06)
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	890.70	(173.33)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	695.39	92.81
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	294.37	201.56
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	989.76	294.37

Note : Figures in brackets are outflows.

As per our Report attached.

For and on behalf of
N.N.Jambusaria & Company
Chartered Accountants

N.N.Jambusaria
Partner
Mumbai, 23rd September, 2005

For and on behalf of the Board of Directors

H. R. KILACHAND
Chairman & Managing Director

D.J.SHAH
Sr.General Manager (Legal)
& Company Secretary

K.D.SHETH
Director
Mumbai, 23rd September, 2005

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CONSOLIDATED STATEMENT OF FIGURES FROM SEASON 1985-86 TO 2004-2005 (Sugar Factory)

SEASON	DURATION DAYS	CANE CRUSHED M. TONS	SUGAR PRODUCED M. TONS	RECOVERY % OF CANE CRUSHED
1985-86	171	2,70,820.67	27,122.79	10.02
1986-87	226	4,06,353.76	36,635.86	9.02
1987-88	212	4,22,531.80	37,389.08	8.85
1988-89	155	3,06,745.14	30,905.41	10.08
1989-90	222	5,69,131.22	52,390.95	9.21
1990-91	180	5,47,654.71	52,247.42	9.54
1991-92	203	7,46,941.45	72,961.77	9.77
1992-93	162	6,05,853.44	60,586.41	10.00
1993-94	142	5,82,473.61	57,287.22	9.84
1994-95	184	8,01,761.65	80,458.15	10.04
1995-96	194	8,71,869.00	84,386.84	9.68
1996-97	179	8,05,563.32	81,913.41	10.17
1997-98	164	7,47,149.95	74,985.32	10.04
1998-99	144	6,63,221.08	60,055.05	9.06
1999-2000	159	7,16,949.60	68,395.00	9.41
2000-2001	143	6,44,521.60	64,298.00	9.89
2001-2002	184	8,34,412.60	81,970.40	9.82
2002-2003	189	9,38,038.60	93,863.00	10.00
2003-2004	150	8,08,601.17	79,866.50	9.88
2004-2005	158	8,52,942.80	84,010.00	9.90

STATEMENT SHOWING PRODUCTION AND YIELD IN DISTILLERY

Year	Production (Litres)	Yield per Quintal of Molasses (Litres)
1985-86	38,17,324	25.5
1986-87	51,18,458	25.6
1987-89 (17 months)	62,16,600	24.9
1989-90	74,24,689	23.8
1990-91	64,77,165	24.8
1991-92	72,48,330	24.8
1992-93	1,08,68,023	23.2
1993-94	88,50,660	21.3
1994-95	81,42,169	21.7
1995-96 (15 months)	1,33,55,146	21.7
1996-97	1,17,98,172	22.0
1997-98	1,14,19,540	20.9
1998-99	85,45,420	19.7
1999-2000	1,17,01,670	20.4
2000-2001	1,28,35,127	21.4
2001-2002	1,22,80,300	21.00
2002-2003	1,29,54,000	21.16
2003-2004	1,15,52,050	24.12
2004-2005	1,12,74,630	22.58

FINANCIAL STATISTICS

Year end position	(Rs. in lacs)									
	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96
Share Capital	633.93	633.93	633.93	633.93	633.93	633.93	633.93	633.93	633.93	633.93
Reserves and Surplus	3271.71	3409.50	3327.16	4664.49	5039.56	4997.50	4956.95	4985.26	4876.55	2375.42
Deferred Tax liability	417.15	277.28	262.86	383.29	-	-	-	-	-	-
Borrowings	7507.10	6958.04	7547.44	8196.31	9551.34	9634.38	9941.49	9549.92	9555.19	9352.44
Working Capital	5536.90	4836.65	5551.90	6268.15	8705.80	8582.54	8855.32	8580.25	8207.90	5312.78
Capital Employed	12029.89	11478.75	11771.39	13878.02	15224.83	15265.81	15532.37	15169.11	15065.67	12361.79
Gross Block	13660.10	13292.96	11918.23	11208.64	10645.42	10452.35	10217.39	9797.59	9403.45	8682.27
Net Block	5697.98	5765.89	4774.26	4470.78	4371.92	4587.55	4793.94	4847.75	5195.46	5094.84
Investments	455.10	455.10	455.39	2039.49	896.44	896.43	896.52	896.56	808.13	810.34
Equity Shares										
Book Value (Rs.) @	59.89	28.15	25.78	46.71	52.38	51.82	52.03	51.95	49.70	43.12
Face Value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
For the year										
Sales including	25959.46	24555.65	28080.17	30930.40	15223.63	12194.88	14168.85	14999.92	12119.80	15636.03
Excise duty	512.96	500.43	444.53	478.61	431.41	473.82	532.36	743.60	626.67	699.27
Depreciation	1863.44	157.23	(1487.62)	20.59	61.56	92.13	85.47	304.11	276.28	157.45
Profit before tax	1661.73	128.49	(1367.80)	100.97	40.49	90.68	30.47	285.36	275.03	156.45
Equity dividend %	20	-	-	-	-	-	-	15.00	15.00	#10.00
Equity dividend amount	126.79	-	-	-	-	-	-	95.09	95.09	#63.39

#The Proposed Dividend for the year 1995-96 has been written back.

@ Excluding Capital Reserve

Annual Report 2004-2005 — Consolidated Accounts

To,
The Board of Directors,
Kesar Enterprises Limited,

We have examined the attached Consolidated Balance Sheet of Kesar Enterprises Limited as at 30th June, 2005 and its subsidiary as at 31st March, 2005, and also the related Consolidated Profit & Loss Account and the Consolidated Cash Flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the subsidiary company was audited by other auditors whose report has been furnished to us, and our opinion, so far as it related to the subsidiary company is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 management, as well as evaluating, the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

We did not audit the financial statements of Amber Distilleries Limited for the year ended March 31, 2005. However, since the financial statements, were not compiled by the management of the subsidiary company, for the financial year ended 30th June, 2005, any adjustments to their balances, could have consequential effect on the attached consolidated financial statements.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS)21 on Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Kesar Enterprises Limited and its subsidiary included in the consolidated financial statements.

Attention is invited to the following note in Schedule 22;

(i) Note No. 5 in respect of amortization / write off of goodwill.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Kesar Enterprises Limited and its aforesaid subsidiary and subject to paragraph (i) above, in our opinion and to the best of our information and according to the explanations given to us, we are of the opinion that the said financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiary as at 30th June, 2005.
- (b) in case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiary for the year then ended; and
- (c) In case of the Consolidated Cash Flow Statement, of the consolidated cash flow of the Company and its subsidiary for the year then ended.

For and on behalf of
N. N. JAMBUSARIA & CO.
Chartered Accountants

N.N.JAMBUSARIA
Partner
Membership No. 35520

Mumbai:
23rd September, 2005

CONSOLIDATED BALANCE SHEET as at 30th June, 2005

	Schedule No.		(Rs in Lacs) As at 30th June, 2004
Sources of Funds :			
1. Shareholders' Funds :			
(a) Share Capital	1	833.93	833.93
(b) Reserves and Surplus	2	3,146.61	3,323.10
		3,980.54	4,157.03
2. Deferred Tax Liability (Net)		369.00	225.01
3. Loan Funds :			
(a) Secured Loans	3	7,146.91	6,520.37
(b) Unsecured Loans	4	360.19	437.67
		7,507.10	6,958.04
Total		11,856.64	11,340.08
Application of Funds :			
1. Fixed Assets :	5		
(a) Gross Block		14,036.83	13,669.06
(b) Less: Depreciation/Land Premium written off		8,040.64	7,601.56
(c) Net Block		5,996.19	6,067.50
(d) Capital Work-in-Progress		306.79	374.00
		6,302.98	6,441.50
2. Investments	6	1.75	1.75
3. Current Assets, Loans and Advances :			
(a) Inventories	7	7,032.12	7,352.86
(b) Sundry Debtors	8	979.94	679.63
(c) Cash and Bank Balances	9	1,004.16	312.03
(d) Other Current Assets	10	5.52	4.18
(e) Loans and Advances	11	1,113.77	927.80
		10,135.51	9,276.50
Less: Current Liabilities and Provisions :	12		
(a) Current Liabilities		3,949.29	4,381.74
(b) Provisions		667.43	77.80
		4,616.72	4,459.54
Net Current Assets		5,518.79	4,816.96
4. Miscellaneous Expenditure to the extent not written off :			
Debit Balance of Profit & Loss Account		—	32.76
Deferred Revenue Expenditure [See Note No.10]		33.12	47.11
Total		11,856.64	11,340.08
Notes forming part of the Accounts	22		

As per our Report attached.
For and on behalf of
N.N.Jambusaria & Company
Chartered Accountants

For and on behalf of the Board of Directors,

H. R. KILACHAND
Chairman & Managing Director

N.N.Jambusaria
Partner

D.J.SHAH
Sr.General Manager (Legal)
& Company Secretary

K.D.SHETH
Director

Mumbai, 23rd September, 2005

Mumbai, 23rd September, 2005

Annual Report 2004-2005 — Consolidated Accounts

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 30th June, 2005

	Schedule No.		(Rs in Lacs) Previous Year
1. Income :			
Sales and Services	13	26,274.53	24,838.56
Other Income	14	490.97	421.64
Income from Property under Development	17	201.61	—
Increase / (Decrease) in Stocks	15	2,586.43	(1,692.26)
Total		<u>29,553.54</u>	<u>23,567.94</u>
2. Expenditure :			
Raw Materials Consumed	16	12,199.92	8,864.48
Purchase of Trading Goods		—	15.11
Expenses on Sugarcane Plantations	18	299.04	272.41
Manufacturing and Other Expenses	19	13,813.18	13,010.60
Interest and Finance Charges	20	862.79	757.43
Depreciation (including Land Lease Premium written off Rs. 0.19 Lac (Previous Year Rs. 0.19 Lac))		516.99	504.92
Total		<u>27,691.92</u>	<u>23,424.95</u>
3. Profit before Tax & Extra Ordinary Items		1,861.62	142.99
4. Extra Ordinary Items- Cane Price Difference & Gratuity Arrears (See Note 15)			
Less : Withdrawn from General Reserve		1,644.77	—
		<u>1,644.77</u>	<u>—</u>
5. Profit / (Loss) Before Tax		1,861.62	142.99
6. Provision for Taxation			
(i) Income Tax - Current		61.00	13.51
(ii) Income Tax - Deferred		144.00	11.98
(iii) Wealth Tax		0.83	0.81
7. Profit / (Loss) After Tax		1,655.79	116.69
Add/(Less): Balance brought forward from previous year		(32.76)	(95.75)
Prior period adjustments	21	(11.41)	(53.70)
8. Profit available for appropriation		<u>1,611.62</u>	<u>(32.76)</u>
9. Appropriations :			
(i) Transferred to General Reserve		123.45	—
(ii) Proposed Preference Shares Dividend		3.78	—
(iii) Interim Dividend on Equity Shares		95.09	—
(iv) Proposed Final Dividend on Equity Shares		31.70	—
(v) Corporate Tax on Dividend		18.31	—
(vi) Balance Carried Forward to Balance Sheet		1,339.29	(32.76)
Total		<u>1,611.62</u>	<u>(32.76)</u>
Basic and diluted earnings per share		26.12	1.84
Notes forming part of the Accounts	22		

As per our Report attached.
For and on behalf of
N.N.Jambusaria & Company
Chartered Accountants

For and on behalf of the Board of Directors,

H. R. KILACHAND
Chairman & Managing Director

N.N.Jambusaria
Partner

D.J.SHAH
Sr.General Manager (Legal)
& Company Secretary

K.D.SHETH
Director

Mumbai, 23rd September, 2005

Mumbai, 23rd September, 2005

KESAR ENTERPRISES LTD.

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE,2005.

SCHEDULE : 1

SHARE CAPITAL

		<i>(Rs in Lacs)</i>	
		<i>As at</i>	
		<i>30th June, 2004</i>	
Authorised :			
1,20,00,000	Equity Shares of Rs.10/- each	1,200.00	1,200.00
60,00,000	Redeemable Preference Shares of Rs.10/- each	600.00	600.00
	Total	<u>1,800.00</u>	<u>1,800.00</u>
 Issued Subscribed and Paid Up :			
63,39,315	Equity Shares of Rs. 10/- each fully paid up [of the above 31,30,280 Equity Shares of Rs. 10/- each are allotted as fully paid up Bonus Shares by way of capitalisation of General Reserve]	633.93	633.93
20,00,000	1 % Cummulative Redeemable Preference Shares of Rs. 10/- each fully paid up redeemable in 3 Annual Installments of Rs.67.00 Lacs, Rs.67.00 Lacs, Rs.66.00 Lacs on 10th August 2011, 10th August 2012 and 10th August 2013 respectively.	200.00	200.00
	Total	<u>833.93</u>	<u>833.93</u>

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SCHEDULE : 2

RESERVES AND SURPLUS

(Rs in Lacs)
As at
30th June, 2004

Share Premium :

On Shares allotted on Conversion of Fully Convertible Debentures	578.81		578.81
Less : Amount in arrears	0.27		0.27
		578.54	578.54

General Reserve :

Balance as per last Balance Sheet	—		—
Additions: Transfers from :			
Debenture Redemption Reserve	410.00		—
Capital Reserve (See Note 6)	2,182.86		—
Transferred from Profit & Loss A/c	123.45		—
Deductions :			
Extra Ordinary Items - Cane Price Difference & Gratuity arrears (See Note 14)	1,644.77		—
		1,071.54	—

Storage and Effluent Disposal Funds :

(i) Storage Fund for Alcohol :

(Earmarked from Sale of Alcohol)

Balance as per last Balance Sheet	9.51		9.00
Add: Set aside this year	0.29		0.51
		9.80	9.51

(ii) Storage Fund for Molasses :

(Earmarked from Sale of Molasses)

Balance as per last Balance Sheet	58.52		52.02
Add: Set aside this year	4.94		6.50
		63.46	58.52

(iii) Effluent Disposal Fund :

(Earmarked from Sale of Alcohol)

Balance as per last Balance Sheet	7.76		7.22
Add: Set aside this year	0.31		0.54
		8.07	7.76

Debenture Redemption Reserve :

Balance as per last Balance Sheet	410.00		410.00
Less : Transferred to General Reserve	410.00		—
		—	410.00

Capital Reserve :

Balance as per last Balance Sheet	2258.77		
Less : Transferred to General Reserve	2182.86		
Amount credited on conversion of freehold land into Stock-in-Trade (See Note 6)		75.91	2,258.77

Surplus as per Profit and Loss Account

		1,339.29	—
Total		3,146.61	3,323.10

SCHEDULE : 3

SECURED LOANS

		<i>(Rs in Lacs)</i>	
		<i>As at</i>	
		<i>30th June, 2004</i>	
(A) NON-CONVERTIBLE DEBENTURES :			
19% 2,00,000 Non-Convertible Debentures of Rs.100/- each with Unit Trust Of India (UTI)	—		210.00
16% 8,00,000 Non-Convertible Debentures of Rs. 100/- each with Industrial Development Bank of India Ltd (IDBI)	—		640.28
Deferred Interest on Non-Convertible Debentures	—		225.72
	—		<u>1,076.00</u>
(B) TERM LOANS :			
ICICI Bank Ltd. (Guaranteed by the Chairman & Managing Director)	—		32.00
From the Government of India (Modernisation Loan)	—		15.56
Yes Bank Limited (Term Loan) (See Note 8)	2,366.54		—
(C) SECURITY DEPOSIT :			
From Mahindra Gesco Developers Limited	—		1,200.00
(D) HIRE PURCHASE LOANS :			
(Secured by way of hypothecation of the equipments purchased out of the said loans and guaranteed by the former Chairman & Managing Director.)	—		40.56
(E) VEHICLE LOANS :			
(Secured by way of hypothecation of the vehicles purchased out of the said loans)	38.46		62.54
(F) BORROWINGS FROM BANKS :			
Cash Credit from Banks (Secured by hypothecation/pledge of stocks of Sugar, Stores,Spares,Spirit and Book Debts of Sugar Division, Current Assets of Distillery Division and guaranteed by the former Chairman & Managing Director.) (See Note 8)	4,741.91		3,981.56
(G) INTEREST ACCRUED AND DUE ON DEBENTURES & TERM LOANS :			
	—		112.15
Total	<u>7,146.91</u>		<u>6,520.37</u>

SCHEDULE : 4

UNSECURED LOANS

(A) Fixed Deposits		178.18	235.97
<i>(Includes Rs.20.00 Lacs (Previous Year Rs. 20.00 Lacs) due to Chairman & Managing Director)</i>			
(B) Short Term Loans, Advances & Deposits :			
From Others	172.99		188.90
Interest accrued and due	9.02		12.80
	—		<u>182.01</u>
Total	<u>360.19</u>		<u>437.67</u>

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FIXED ASSETS : 5

Particulars	GROSS BLOCK					DEPRECIATION			NET BLOCK	
	At Cost or book value as on 01-Jul-04	Additions during the Year	Sales/ deductions and adjustments during the Year	At Cost or book value as on 30-Jun-05	Upto 30-Jun-04	For the Year	Written back on assets sold or discarded	Total Depreciation/ Land Premium written off	As on 30-Jun-05	As on 30-Jun-04
Goodwill	263.41	—	—	263.41	—	—	—	—	263.41	263.41
Land										
Freehold Land Premium	120.65	1.03	1.18	120.50	—	—	—	—	120.50	120.65
Lease hold Land Premium	5.73	—	—	5.73	3.36	0.19	—	3.55	2.18	2.37
Bhoomidari Land	—	—	—	—	—	—	—	—	—	—
Leasehold Land	30.86	—	0.11	30.75	1.58	0.11	—	1.69	29.06	29.28
	420.65	1.03	1.29	420.39	4.94	0.30	—	5.24	415.15	415.71
Building, Roads etc. (Exclusive of Labour Quarters erected out of Molasses Fund)	2,877.03	71.61	—	2,948.64	1,016.90	107.40	—	1,124.30	1,824.34	1,860.13
Plant and Machinery	9,009.70	309.18	—	9,318.88	5,705.78	319.05	—	6,024.83	3,294.05	3,303.92
Electric Installations	137.99	—	—	137.99	68.04	7.34	—	75.38	62.61	69.95
Laboratory Equipments	14.98	—	—	14.98	10.33	0.71	—	11.04	3.94	4.65
Weigh Bridges	108.77	16.58	—	125.35	54.26	8.04	—	62.30	63.05	54.51
Railway Siding and Light Railway Tube and Artisan Wells and	4.69	—	—	4.69	4.21	0.07	—	4.28	0.41	0.48
Water Supply	86.16	6.64	—	92.80	32.55	2.79	—	35.34	57.46	53.61
Tractors, Ploughs, Carts etc.	42.48	0.03	—	42.51	30.77	3.02	—	33.79	8.72	11.71
Motor Cars, Lorries and Cycles	214.06	28.80	34.46	208.40	121.30	25.85	26.69	120.46	87.94	92.76
Furniture, Fixtures and Equipments	689.25	22.87	53.22	658.90	530.11	40.40	51.22	519.29	139.61	159.14
Drainage	62.72	—	—	62.72	22.37	2.02	—	24.39	38.33	40.35
Live Stock	0.58	—	—	0.58	—	—	—	—	0.58	0.58
Total	13,669.06	456.74	88.97	14,036.83	7,601.56	516.99	77.91	8,040.64	5,996.19	6,067.50
Previous Year Total	12,294.75	1,517.42	143.11	13,669.06	7,214.11	504.92	117.48	7,601.56	6,067.50	

Notes: (1) Cost of Buildings and Plant & Machinery includes Buildings of Rs.133.67 Lacs and Plant & Machinery of Rs.1,935.10 Lacs constructed on Leasehold Land.

(2) Cost of Plant & Machinery includes Machinery of Rs.482.00 Lacs purchased before 2001 under Hire Purchase Agreement and given on lease.

SCHEDULE : 6

LONG TERM INVESTMENTS (AT COST)

(Rs in Lacs)
As at
30th June, 2004

(A) TRADE INVESTMENTS :

(Unquoted)

In fully paid Equity Shares :

300 Shares of Rs. 100/- each of U.P. Seeds & Tarai Development Corporation Ltd.	0.30	0.30
5 Shares of Rs. 10/- each of Baheri Co-operative Cane Development Union Ltd. [Rs.50 (Previous Year Rs.50)]	—	—
17 Shares of Rs. 20/- each of Sahakari Ganna Vikas Samiti Ltd. [Rs.340 (Previous Year Rs.340)]	—	—
1 Share of Rs. 100/- of Ganna Beej Nigam, Bareilly [Rs.100 (Previous Year Rs.100)]	—	—
1 Share of Rs. 20/- of Bhojeeepura Co-operative Cane Development Union Ltd. [Rs.20 (Previous Year Rs.20)]	—	—
	0.30	0.30

(B) OTHER INVESTMENTS :

(i) In Government Securities :

(Unquoted)

National Savings Certificates (Deposited as security with Government Departments)	0.62	0.62
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(ii) In fully paid Equity Shares of other
Joint Stock Companies : (Quoted)

4,320 Equity Shares of Rs. 10/- each of Walchandnagar Industries Ltd.	0.27	0.27
9,230 Equity Shares of Rs.10/- each of The Shervan Industrial Syndicate Ltd.	0.23	0.23
180 Equity Shares of Rs. 100/- each of Indian Hume Pipe Co. Ltd.	0.18	0.18
	0.68	0.68

(iv) In fully paid Equity Shares
of Co-operative Bank : (Unquoted)

200 Shares of Rs. 25/- each of Jain Sahakari Bank Ltd.	0.05	0.05
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(v) In fully paid Equity Shares of
Antophill Warehousing Company Ltd: (Unquoted)

10 Shares of Rs. 1,000/- each	0.10	0.10
Total	1.75	1.75

Aggregate cost of Investments :

Quoted	0.68	0.68
Unquoted	1.07	1.07
Total	1.75	1.75

Market Value of Quoted Investments	25.83	10.07
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SCHEDULE : 7

INVENTORIES

	<i>(Rs in Lacs)</i>	
	<i>As at</i>	
	<i>30th June, 2004</i>	
(As certified by the Chairman & Managing Director)		
Stores and Spares (At Cost)	581.68	554.25
Scrap Materials (At estimated realisable value)	2.95	26.73
By Products (At estimated realisable value)	242.77	215.17
Stock in trade :		
Raw Materials (At Cost)	238.08	273.82
Finished Goods (At lower of Cost or Market value)	5,760.11	3,176.01
Trading Goods (At Cost)	—	3.10
Work-in-Process (At Cost)	32.10	30.50
Crop-in-Progress (At Cost)		
(including preparation of land, irrigation etc.)	97.94	111.37
Property under Development (See Note 6)	76.49	2,961.91
Total	<u>7,032.12</u>	<u>7,352.86</u>

SCHEDULE : 8

SUNDRY DEBTORS (UNSECURED)

Debts outstanding for a period exceeding six months :		
Considered Good	160.98	136.45
Considered Doubtful	31.20	31.20
Other Debts Considered Good	818.96	543.18
	<u>1,011.14</u>	<u>710.83</u>
Less: Provision for Doubtful Debts	31.20	31.20
Total	<u>979.94</u>	<u>679.63</u>

SCHEDULE : 9

CASH AND BANK BALANCES

Cash/Cheques/Drafts on Hand	16.08	105.82
Bank Balances with Scheduled Banks :		
In Current Accounts	912.08	126.58
In Fixed Deposit Accounts	73.53	76.98
In Post Office Savings Bank Account (Maximum Balance during the year Rs.0.17 Lac, Previous Year Rs.0.28 Lac)	—	0.17
In Dividend Accounts with Scheduled Banks	2.47	2.48
Total	<u>1,004.16</u>	<u>312.03</u>

SCHEDULE : 10

OTHER CURRENT ASSETS

Interest Accrued on Fixed Deposits with Banks	5.12	3.80
Interest Accrued on Investments	0.40	0.38
Total	<u>5.52</u>	<u>4.18</u>

SCHEDULE : 11 LOANS AND ADVANCES

	(Rs in Lacs)	
	As at	
	30th June, 2004	
(Unsecured, Considered Good unless otherwise stated)		
Advances to Subsidiary Company	—	—
Advances recoverable in cash or in kind or for value to be received		
Considered Good	851.45	717.32
Considered Doubtful	8.26	8.26
Loans & Advances to Employees		
(Inclusive of Rs 14.17 Lacs (Previous Year Rs.16.45 Lacs)secured by charge on assets against which loans are granted.)	37.28	40.92
	896.99	766.50
Less: Provision for Doubtful Advances	8.26	8.26
	888.73	758.24
Advance Payment of Income-Tax (Including Tax Deducted at Source)	106.33	67.49
Deposits with Government & Others	118.71	102.07
Total	1,113.77	927.80

SCHEDULE : 12 CURRENT LIABILITIES AND PROVISIONS

(A) Current Liabilities :		
Acceptances	3.35	5.35
Sundry Creditors	3,134.45	3,458.79
Interest accrued but not due on Loans, Deposits & Debentures	16.97	39.09
Advances and Deposits from Dealers/Customers	695.65	774.66
Due to Subsidiary Company	—	4.97
Deposit against Lease Rentals	96.40	96.40
Unclaimed Dividends	2.47	2.48
	3,949.29	4,381.74
(B) Provisions :		
Provision for Income Tax	77.35	16.35
Provision for Wealth Tax	5.77	4.94
Provision for Gratuity & Leave Encashment	435.43	56.51
Proposed Dividend on Preference Shares	3.78	—
Interim Dividend on Equity Shares	95.09	—
Proposed Final Dividend on Equity Shares	31.70	—
Corporate Tax on Dividend	18.31	—
	667.43	77.80
Total	4,616.72	4,459.54

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SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2005.

SCHEDULE : 13

SALES AND SERVICES

		<i>(Rs in Lacs)</i>
		<i>Previous Year</i>
SALES		
Manufacturing Goods (Inclusive of Excise Duty)	25,126.40	23,866.92
Less: Transferred to Molasses and Alcohol Storage Funds and Effluent Disposal Fund	5.54	7.55
	<u>25,120.86</u>	<u>23,859.37</u>
Trading Goods	5.97	14.93
Agricultural Products (After adjusting Opening & Closing Stock)	426.21	318.91
Less: Value of Seed supplied to Own Division	52.01	88.92
Less: Value of Cane supplied to Own Factory	287.34	158.35
	<u>86.86</u>	<u>71.64</u>
SERVICES		
Storage and Handling	1,060.84	892.62
Total	<u><u>26,274.53</u></u>	<u><u>24,838.56</u></u>

SCHEDULE : 14

OTHER INCOME :

Dividends	0.48	0.63
Interest (Gross) (Tax Deducted at Source Rs.0.83 Lac)(Previous year Rs.0.99 Lacs)		
On Fixed Deposits	3.55	4.81
Others	3.63	1.83
Rent	2.57	9.34
Buffer Stock Subsidy	35.51	58.93
Sundry Receipts	152.26	116.29
Credit Balances written back	5.99	2.03
Govt Subsidy for Cane Development	144.72	139.97
Profit on Sale of Fixed Assets	127.08	57.41
Insurance Claims	15.18	30.39
Provision for Expenses no longer required	—	0.01
Total	<u><u>490.97</u></u>	<u><u>421.64</u></u>

SCHEDULE : 15

INCREASE / (DECREASE) IN STOCKS

		<i>(Rs in Lacs)</i>	
		<i>Previous Year</i>	
Closing Stock :			
Finished Goods	5,760.12		3,176.01
Trading Goods	—		3.10
Work-in-Process	32.10		30.50
By Products	242.77		215.17
Scrap Materials	2.95		26.73
		6,037.94	3,451.51
Opening Stock :			
Finished Goods	3,176.01		4,823.36
Trading Goods	3.10		—
Work-in-Process	30.50		31.75
By Products	215.17		247.14
Scrap Materials	26.73		41.52
		3,451.51	5,143.77
INCREASE / (DECREASE)	Total	2,586.43	(1,692.26)

SCHEDULE : 16

RAW MATERIALS CONSUMED

Sugar Cane(inclusive of Transport, Commission and Other Expenses)	9,901.20		8,018.91
Less: Value of Cane supplied by Own Farm	287.34		158.35
		9,613.86	7,860.56
Sugar Cane Purchase Tax		165.40	159.97
Raw Seeds	147.80		104.81
Less: Value of Seeds supplied by Own Farm	52.01		88.92
		95.79	15.89
Molasses and Spirits		2,324.87	828.06
	Total	12,199.92	8,864.48

SCHEDULE : 17

INCOME FROM PROPERTY UNDER DEVELOPMENT

Property under Development :			
Opening Stock	2,961.91		2,961.35
Add : Expenses incurred during the year	—		0.56
			2,961.91
Less: During the year transaction including sale (See Note 6)	3,087.03		—
			2,961.91
Add: Closing Stock	76.49	201.61	2,961.91
	Total	201.61	—

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SCHEDULE : 18

EXPENSES ON SUGAR CANE PLANTATIONS

(Inclusive of Crop-in-Progress at

(Rs. in lacs)
Previous Year

Commencement and Exclusive of Crop-in-Progress at Close)

Crop-in-Progress at Commencement	111.37	128.29
Sowing, Harvesting, Irrigation, Seeds, Manures and Transport	201.73	171.07
Stores Consumed	19.05	15.87
Power & Fuel	1.78	4.57
Machinery Repairs	4.34	2.54
Building Repairs	0.41	0.65
Sundry Repairs	1.29	1.16
Rates and Taxes	1.30	1.27
Salaries and Wages	37.52	37.79
Contribution to Provident Fund	2.58	2.99
Workmen and Staff Welfare Expenses	1.44	1.82
Miscellaneous Expenses	14.17	15.76
	<u>396.98</u>	<u>383.78</u>
Less: Crop-in-Progress at close	97.94	111.37
Total	<u><u>299.04</u></u>	<u><u>272.41</u></u>

SCHEDULE : 19

MANUFACTURING AND OTHER EXPENSES

Storage and Handling Charges	47.00	39.89
Stores and Spares Consumed	2,426.96	2,258.90
Power and Fuel	499.39	393.53
Repairs :		
Plant and Machinery	338.91	410.48
Buildings	27.25	36.04
Others	35.02	46.24
Rent	51.30	50.09
Salaries, Wages & Bonus	1,230.61	1,145.61
Company's Contribution to Provident and Other Funds	138.77	133.89
Workmen and Staff Welfare Expenses	34.66	32.28
Insurance	72.11	67.30
Rates and Taxes	269.26	181.00
Excise Duty	7,130.86	6,779.06
Selling Agents' Commission & Brokerage	33.62	36.06
Legal and Professional Charges	105.73	74.32
Total C/F	<u><u>12,441.45</u></u>	<u><u>11,684.69</u></u>

SCHEDULE : 19

MANUFACTURING AND OTHER EXPENSES (Contd.)

(Rs. in lacs)

Previous Year

	Total B/F	12,441.45	11,684.69
Discount		64.69	31.74
Miscellaneous Expenses		1,267.67	1,193.16
Charity and Donations		1.61	1.65
Directors' Fees		1.92	1.21
Auditors' Remuneration :			
Audit Fees		3.02	2.85
In Other Capacities :			
For Certification		0.47	1.34
For Tax Audit		0.10	0.10
For Tax Matters		1.62	0.15
For Other Matters		1.11	0.15
Out of Pocket Expenses		1.60	1.60
Cost Audit Fees		0.32	0.30
Bad Debts/Advances written off		3.05	30.59
Loss on Assets discarded/scrapped		3.12	19.24
Deferred Revenue Expenditure written off		21.43	41.83
	Total	<u>13,813.18</u>	<u>13,010.60</u>

SCHEDULE : 20

INTEREST & FINANCE CHARGES

On Fixed Deposits		25.11	33.88
<small>(Includes Rs.2.74 Lacs (Previous Year Rs. 2.43 Lacs) paid to Chairman & Managing Director)</small>			
On Fixed Loans and Debentures		157.81	45.78
On Cash Credit		563.03	555.99
Others		116.84	121.78
	Total	<u>862.79</u>	<u>757.43</u>

SCHEDULE : 21

PRIOR PERIOD ADJUSTMENTS

CREDITS :

1. Income of Previous Year		—	12.28
	Total	<u>—</u>	<u>12.28</u>

DEBITS :

1. Expenses of Previous Year		11.41	65.98
	Total	<u>11.41</u>	<u>65.98</u>
	Net	<u>(11.41)</u>	<u>(53.70)</u>

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SCHEDULE: 22

NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

1. A. Basis of Consolidation

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.

The subsidiary considered in the preparation of these consolidated financial statements is:

Name	:	Amber Distilleries Ltd.(ADL)
Country of Incorporation	:	India
Date of becoming Subsidiary	:	15 th March, 1995
Ownership Interest as on 30 th June, 2005	:	100 %

It is not practicable to draw up the financial Statements of ADL for the same reporting date as that of the parent. Hence, the financial statements of ADL considered for consolidation are for the year ended 31st March, 2005.

The consolidation of financial statements of the parent company and its subsidiary is done on line by line basis by adding together similar items of Assets, liabilities, income and expenses. All inter-group transactions and balances have been eliminated in the course of consolidation.

1. B. Significant Accounting Policies

A. Accounting Concepts

The Company follows the Mercantile System of Accounting and recognises Income and Expenditure on an accrual basis.

The Accounts are prepared on a historical cost basis and as a going concern. Accounting policies not referred to otherwise are consistent with the generally accepted accounting principles.

B. Revenue Recognition

Income is generally recognised only when its collection or receipt is reasonably certain. Insurance Claims are recognised only when the claim is passed.

C. Fixed Assets

- Fixed Assets except Freehold Land are stated at cost of acquisition less accumulated depreciation. Cost includes interest on borrowings, specific or otherwise, used for funding Fixed Assets till the date of commissioning.
- Leasehold Land and Premium on Leasehold Land is amortised over the period of lease.
- The excess of the cost to the parent company of its Investments in the subsidiary over its share of equity on the initial acquisition date is recognised as Goodwill and it is not amortised.

D. Depreciation

- Depreciation on the Bio-Gas Plant, Plant & Machinery installed for Expansion and Modernisation and Assets given on lease has been provided on a Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956.
- For all other assets, depreciation is provided on a Written Down Value Method at the rates specified in Schedule XIV of the Companies Act, 1956.
- For assets added / disposed off during the year, depreciation has been provided on a pro-rata basis with reference to the period, at the applicable rates.
- Depreciation on Assets, whose actual cost does not exceed Rs.5,000/- is provided at the rate of hundred percent.

E. Capital Work-in-Progress

These are stated at cost to date relating to items or projects in progress, incurred during construction/ pre-operative period. Cost includes allocable interest.

F. Investments

Long term Investments are stated at cost. Current Investments are valued at lower of cost or fair value.

G. Inventories

Raw Materials, Work-in-Process, Crop-in-Progress and Stores and Spares are valued at cost.

Finished Goods and Trading Goods are valued at lower of cost or market value. Cost includes applicable overheads.

By-Products and Scrap Materials are valued at estimated realisable value.

Property under development includes Freehold land valued at Fair Market Value as on the date of conversion into Stock in Trade and expenses incurred thereon.

H. Miscellaneous Expenditure

a) Expenses on new projects on hand are carried forward for capitalisation upon completion of the projects.

b) Deferred Revenue Expenditure is being written off over a period of five years.

I. Foreign Currency Transactions

Transactions arising in foreign currency are converted at the rates ruling on the transaction dates. Liabilities payable in foreign currency are reinstated at year-end exchange rates. All exchange differences arising from conversion are charged to Profit and Loss Account except exchange differences on liabilities for purchase of Fixed Assets which are capitalised.

J. Research & Development Expenditure

Revenue Expenditure on Research and Development is charged to Profit and Loss Account in the year in which it is incurred. Capital Expenditure on Research and Development is shown as an addition to Fixed Assets.

K. Retirement Benefits

The Company has various schemes of retirement benefits such as Provident Fund, Superannuation Fund, Leave Encashment and Gratuity. The Company's contribution to the Provident Fund and Superannuation Fund is charged against revenue every year. The Company has an arrangement with Life Insurance Corporation of India to administer its Superannuation and Gratuity Schemes. Provision for Leave Encashment is made on the basis of actuarial valuation. Provision for Gratuity is made on the basis of actuarial valuation made by Life Insurance Corporation Of India for every financial year which is pro rated upto 30th June.

L. Income-tax

Income tax expenses comprise of current tax including Fringe Benefit Tax (FBT) and deferred tax charge or credit. The deferred tax charge or credit is recognised at the tax rates enacted on the Balance Sheet date. Where there is an unabsorbed depreciation or carry forward loss, deferred tax Assets are recognised only if there is virtual certainty of realization of such Assets. Other deferred tax Assets are recognised only to the extent when there is reasonable certainty of realization in future. Deferred tax Assets/liabilities are reviewed as at each Balance Sheet date based on developments during the year.

2. a) Contingent Liabilities on account of Demands/Claims against the Company not acknowledged as debts and not provided for Rs.761.87 Lacs (Previous Year Rs.755.53 Lacs).

b) Arrears of Dividend on Cumulative Preference Shares of Rs. NIL (Previous Year Rs. 1.00 Lac).

3. The estimated amount of contracts remaining to be executed on Capital Account (net of advances) Rs.3.93 Lacs (Previous Year Rs. 5.67 Lacs).

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4. Alcohol and Molasses Storage Funds and Effluent Disposal Fund amounting to Rs.81.33 Lacs are not deposited with a Scheduled Bank as required by the said Orders, under legal advice.
5. ADL had made bottling arrangement with various parties to utilise the available production capacity, which has improved the performance. In view of the above and having regard to the long-term involvement in the Subsidiary Company, Goodwill amounting to Rs.263.41 Lacs is not amortised.
6. The Company had converted its Freehold Land situated at Goregaon, Mumbai into Stock-in-Trade for its real estate business on the basis of valuation made by approved valuers. The surplus of Rs.2,258.77 Lacs representing the excess of the estimated market value of the land over its cost as on the date of conversion had been credited to capital reserve. Based on an Award of Arbitration, the Company has sold during the year, a major portion of its land at Goregaon, Mumbai for Rs.2475 Lacs which was in 1996, transferred to Stock in trade as "Property Under Development", by creating a Capital Reserve of Rs.2258.77 Lacs. The Capital Reserve pertaining to the land sold is now transferred to General Reserve in view of the above sale and the Capital Reserve of Rs. 75.91 Lacs pertaining to the unsold land continues as Capital Reserve.
7. Managerial Remuneration paid/payable to Chairman & Managing Director as per approval under Sections 310 & 198 (4)/309 (3) of the Companies Act, 1956, is as under :

	(Rs. in Lacs)	
	2004-2005	2003-2004
I Salary	4.80	4.80
II Contribution to Provident Fund & Superannuation Fund	1.30	1.30
III Perquisites	2.90	2.90
Total Rs...	9.00	9.00

The Company has recovered from the Chairman & Managing Director (CMD) for personal use of motorcar and telephone.

The above remuneration is based on Central Government approval dated 4th April 2003.

8. Term Loan from Yes Bank Ltd. is secured by way of first charge on all fixed assets of the Sugar Division and Storage and Handling division.

Cash Credit facility from U.P.Co-operative Bank Limited, is secured by way of Pledge of sugar stock. Cash Credit facility from Bank of Baroda is secured by way of Pledge of sugar stock and hypothecation of Stores, Spares, Spirit and Book Debts of Sugar Division and Current Assets of Distillery Division at Baheri, State of Uttar Pradesh (U.P.) and is further secured by joint mortgage on second charge basis on the fixed assets of the Sugar Division of the Company situated at Baheri, U.P.

9. In the absence of confirmations, the balances in respect of Loans and Advances, Sundry Debtors, Sundry Creditors, Acceptances, Deposits, Secured and Unsecured Loans, Other Accounts and National Savings Certificates deposited with the Government Authorities are taken as shown by the books of account and are subject to adjustments and reconciliations, if any.
10. A sum of Rs.106.04 Lacs paid under Voluntary Retirement Scheme (VRS) including Rs. 7.44 Lacs paid during the year is treated as Deferred Revenue Expenditure. Accordingly, a sum of Rs. 21.43 Lacs has been written-off during the year.
11. The Company has entered into arrangements with third Parties for Manufacture of its Indian Made Foreign liquor (IMFL) products for which the Company provides them necessary technical know-how, working capital and marketing services. The advances given to third parties under this arrangement primarily constitutes Bank Balances, Stocks and Sundry Debtors in their Books of account.

The Company has tied up with third parties for manufacture of their IMFL brands in its plant at Baheri for which necessary technical know-how, working capital and marketing services are provided by them. Transactions pertaining to such activities are included in the accounts of the company.

12. The Parent Company's Accounting Year for the purpose of compliance with the provisions of the Companies Act, 1956 ended on 30th June, 2005 and the previous year for tax purpose ended on 31st March, 2005. The income if any for the period from 1/4/2005 to 30/6/2005 forming part of the annexed accounts will be assessed as a part of the composite income relevant to previous year ending 31st March, 2006 i.e. Assessment Year 2005-2006.

Details of Deferred Tax are as under:

(Rs. in Lacs)

Particulars	As on 30th June, 2005	As on 30th June, 2004
Deferred Tax Liability		
Accumulated depreciation	810.24	837.24
Deferred revenue expenditure	—	2.00
Total Deferred Tax Liability	810.24	839.24
Deferred Tax Assets		
Expenses deductible on payment	57.87	130.88
Losses Carried Forward	48.81	110.53
Capital Losses Carried Forward	334.56	372.82
MAT Credit	—	—
Total Deferred Tax Assets	441.24	614.23
Net Deferred Tax Liability	369.00	225.01

The Company has recognised a Deferred Tax Asset of Rs.334.56 Lacs on capital losses carried forward.

13. Sundry debtors of Rs. 52.01 Lacs and advances of Rs. 52.55 Lacs are outstanding since a long time and not recovered till date. The Company has initiated legal proceedings against some of the Parties. In the opinion of the management, the same are considered good and recoverable. Hence, no provision has been made in the accounts.
14. a) Pursuant to the decision of the Supreme Court upholding the State Government's power to fix the Cane price, the Company has during the current year provided and paid the difference of cane price, between State Advised Price (SAP) and Statutory Minimum Price (SMP) in respect of season 1996-97 amounting to Rs.157.71 Lacs, for season 2002-03 amounting to Rs. 759.32 lacs & for season 2003-04 amounting to Rs.374.92 Lacs, totalling to Rs.1291.95 Lacs.
- b) The Company has made provision for Gratuity for earlier years of Rs. 352.82 Lacs during the year . The above amounts of Rs.1291.95 Lacs and Rs.352.82 Lacs totalling to Rs.1644.77 Lacs pertaining to earlier years, has been reflected under " Extraordinary Items" and an equal amount has been withdrawn from the General Reserve.
15. The Company had given Bank Guarantees to Government of India in respect of Levy Price realization. Subsequently the Government has adjusted the amounts from the Buffer Stock Subsidy receivable by the Company and has also encashed the Bank Guarantees, which has resulted in excess payment of Rs.16.80 Lacs to the Government of India. The Company is following up with Government Authorities for refund.
16. Segmental Reporting Disclosures under Accounting Standard 17

Business Segments:

Based on the guiding principles given in Accounting Standard 17 "Segmental Reporting" issued by the Institute of Chartered Accountants of India, the Company's primary business segments are

- a. Sugar
- b. Distillery
- c. Storage and Handling

Geographical Segments:

Since the Company's activities/operations are primarily within the country and considering the nature of products it deals in, the risk and returns are same and as such there are no geographical segments.

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Financial Information about the primary business segment is presented in the table below:

	(Rs. in Lacs)				
	Sugar	Distillery	Storage & Handling	Others	Total
For the Year ended 30 th June, 2005 indicated in bold. Previous year figures indicated in the row therebelow:					
Segmental Revenue					
Sales	12814.13	12072.00	1060.84	614.90	26561.87
	<i>13,501.93</i>	<i>10321.65</i>	<i>892.62</i>	<i>280.71</i>	<i>24,996.91</i>
Other Income	246.18	93.14	3.49	11.40	354.21
	<i>250.50</i>	<i>86.24</i>	<i>13.07</i>	<i>12.49</i>	<i>362.30</i>
Less : Inter Segment Revenue				287.34	287.34
				<i>158.35</i>	<i>158.35</i>
Add : Unallocable Income					338.37
					<i>59.34</i>
Total Revenue					26967.11
					<i>25,260.20</i>
Segmental Result before Interest & Taxation	2071.88	83.53	664.33	109.94	2929.68
	<i>785.17</i>	<i>43.18</i>	<i>474.99</i>	<i>33.95</i>	<i>1,337.29</i>
Less : Segmental Interest	597.44	13.39	0.76	0.17	611.76
	<i>514.05</i>	<i>27.41</i>	<i>0.28</i>	<i>0.05</i>	<i>541.79</i>
Segmental Result before Taxation	1474.44	70.14	663.57	109.77	2317.92
	<i>271.12</i>	<i>15.77</i>	<i>474.71</i>	<i>33.90</i>	<i>795.50</i>
Less : Unallocable Expenses Net of Unallocable Income					456.30
					<i>652.51</i>
Less : Loss on sale of Investments					—
					—
Profit / (Loss) Before Taxation					1861.62
					<i>142.99</i>
Less : Provision for Tax					61.83
					<i>14.32</i>
Less : Deferred Tax					144.00
					<i>11.98</i>
Profit / (Loss) after Tax					1655.79
					<i>116.69</i>
Segmental Assets	8189.92	4427.13	1563.61	387.40	14568.06
	<i>6,240.99</i>	<i>3,472.24</i>	<i>1,519.77</i>	<i>376.58</i>	<i>11,609.58</i>
Unallocable Assets/ Investments					1872.18
					<i>4,110.17</i>
Total Assets					16440.24
					<i>15,719.75</i>
Segmental Liabilities	6257.09	1736.49	85.31	64.26	8143.15
	<i>5,790.05</i>	<i>1,228.93</i>	<i>105.04</i>	<i>48.85</i>	<i>7,172.87</i>
Share Capital & Reserves Less Miscellaneous Expenditure					3947.42
					<i>4,077.16</i>
Unallocable Liabilities					4349.67
					<i>4,469.72</i>
Total Liabilities					16440.24
					<i>15,719.75</i>
Capital Expenditure including Capital Work in Progress	129.80	196.68	37.13	19.56	383.17
	<i>696.19</i>	<i>190.72</i>	<i>27.18</i>	<i>18.57</i>	<i>932.66</i>
Unallocable					6.35
					<i>33.71</i>
Total					389.52
					<i>966.37</i>
Depreciation	209.27	121.12	104.75	10.91	446.05
	<i>193.59</i>	<i>113.33</i>	<i>104.08</i>	<i>15.22</i>	<i>426.22</i>
Unallocable Depreciation					70.94
					<i>78.70</i>
Total Depreciation					516.99
					<i>504.92</i>
Non Cash Expenditure other than depreciation	18.15	1.78			19.93
	<i>16.79</i>	<i>23.53</i>			<i>40.32</i>
Unallocable Non Cash Expenditure other than depreciation					1.51
					<i>1.51</i>
Total					21.44
					<i>41.83</i>

Segment revenue, results, Assets and liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

17. Related party disclosures under Accounting Standard 18

Names of related parties and nature of related party relationships:

a. Associates:

Mahindra Gesco Developers Limited

b. Key Management Personnel and relatives of such personnel :

Mr. H R Kilachand Chairman & Managing Director

Relatives of Key Management Personnel

Mrs. Madhavi Kilachand Wife

Master. Rohan Kilachand Son

Ms. Rohita Kilachand Daughter

c. Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence:

Kesar Corporation Pvt. Ltd.

Kilachand Devchand & Co. Pvt. Ltd.

Indian Commercial Co. Pvt. Ltd.

India Carat Pvt. Ltd.

Kilachand Devchand Commercial Pvt.Ltd.

Duracell Investments & Finance Pvt. Ltd.

Seel Investments Pvt.Ltd.

Skyline Chem-Trade Pvt.Ltd.

Disclosure of transactions between the Company and related parties and the status of outstanding balance as on 30th June 2005 indicated in bold. Previous year figures indicated in the row therebelow:.

Nature of Transaction	Associates	Key Managerial Personnel And Relatives	Enterprises over which influence exists
Expenses Reimbursed			15.97 12.79
Traveling Expenses			— —
Rent Paid			15.65 14.91
Capital Expenditure			— —
Interest on Inter Corporate Deposits			15.17 11.64
Interest on Fixed Deposits		2.74 2.76	
Sale of Property	2475 —		
Managerial Remuneration		9.00 9.00	
Inter Corporate Deposits Accepted			4.00 103.90
Fixed Deposits Accepted / Renewed		8.00 8.00	

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Nature of Transaction	Associates	Key Managerial Personnel And Relatives	(Rs. In Lacs) Enterprises over which influence exists
Balance Outstanding as on 30th June, 2005 indicated in bold. Previous year figures indicated in the row therebelow:			
Security Deposit	—		
	1,200.00		
Sundry Creditors	—		36.52
	577.06		16.36
Sundry Debtors			—
			—
Investments			
Fixed Deposits		23.00	
		23.00	
Inter Corporate Deposits			153.27
			138.90
18. Earnings per share has been calculated as under		2004-2005	2003-2004
Profit/(Loss) after Tax (Rs. in Lacs)		1655.79	116.69
No of Equity Shares		63,39,315	63,39,315
Basic and diluted earnings per share – Rupees (Face value of share – Rs. 10 each)		26.12	1.84

19. Figures have been regrouped and recasted wherever necessary for the purpose of Consolidation.

As per our Report attached.

For and on behalf of
N.N.Jambusaria & Company
Chartered Accountants

N.N.Jambusaria
Partner
Mumbai, 23rd September, 2005

For and on behalf of the Board of Directors

H. R. KILACHAND
Chairman & Managing Director

D.J. SHAH
Sr.General Manager (Legal)
& Company Secretary

K.D.SHETH
Director

Mumbai, 23rd September, 2005

KESAR ENTERPRISES LTD.

Consolidated Cash Flow Statement for the year ended 30th June, 2005

	(Rs in Lacs)	
	Previous Year	
A CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT/ (LOSS) BEFORE TAX	1,861.66	142.99
Adjustments for :		
Depreciation	516.99	504.92
Dividend Income	(0.48)	(0.63)
Interest Income	(7.18)	(6.64)
Interest and Finance Charges	862.79	757.43
Transferred to Molasses and Alcohol Storage Fund & Effluent Disposal Fund	5.54	7.55
Extraordinary Items set off against General Reserve	(1,644.77)	
Profit on sale of Fixed Assets/ Investments	(127.08)	(57.41)
Profit on sale of Property under Development	(201.61)	-
Assets Discarded/Scrapped	3.12	19.24
Miscellaneous Expenditure written off	21.43	41.83
Credit Balances Written Back	(5.99)	(2.03)
Bad Debts/Advances written off	3.05	30.59
Provision for expenses no longer required	-	(0.01)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,287.47	1,437.83
Adjustments for :		
Inventories	320.74	1,636.59
Trade and Other Receivables	(303.36)	45.44
Loans & Advances	(156.02)	173.70
Trade Payables	(320.37)	(1,194.32)
Other Current Liabilities	299.91	136.49
CASH (USED IN) / GENERATED FROM OPERATIONS	1,128.37	2,235.73
Interest Paid	(1,226.56)	(964.13)
Taxes (Paid)/ Refunds	(38.85)	(18.88)
Prior Period Adjustments	(11.41)	(53.70)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	(148.45)	1,199.02
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets / Capital Work-in-Progress	(389.54)	(966.37)
Sale/Scrap of Fixed Assets	336.63	63.80
Sale / (Purchase) of Investments	-	0.29
Interest Received	5.84	6.82
Dividend Received	0.48	0.63
Deferred Revenue Expenditure	(7.44)	(24.15)
NET CASH (USED IN) / FROM INVESTING ACTIVITIES	(54.03)	(918.98)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Term Loans	1,468.70	(151.86)
Increase/ (Decrease) in Bank Borrowings	760.35	(233.25)
Increase/ (Decrease) in Short Term Borrowings	(1,334.44)	213.24
Dividends Paid	(0.01)	(0.06)
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	894.60	(171.93)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	692.12	108.11
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	312.04	203.93
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,004.16	312.04

Note : Figures in brackets are outflows.

As per our Report attached.

For and on behalf of
N.N.Jambusaria & Company
Chartered Accountants

N.N.Jambusaria
Partner
Mumbai, 23rd September, 2005

For and on behalf of the Board of Directors

H. R. KILACHAND
Chairman & Managing Director

D.J.SHAH
Sr.General Manager (Legal)
& Company Secretary

K.D.SHETH
Director
Mumbai, 23rd September, 2005

Annual Report 2004-2005

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956, RELATING TO THE SUBSIDIARY COMPANY

1. Name of the Subsidiary Company.	AMBER DISTILLERIES LIMITED
2. The Financial Year of the Subsidiary Company ended on	31 st March 2005
3. Extent of interest of Kesar Enterprises Ltd. in the Equity Share Capital of the Subsidiary at the end of the Financial Year of the Subsidiary.	100% (Entire Equity Share Capital viz. 1,40,000 Equity Shares of Rs.100/- each fully paid up).
4. The net aggregate Loss of the Subsidiary Company so far as it concerns the members of Kesar Enterprises Ltd.:	
(a) Not dealt with in the Company's Account for the year ended 30 th June 2005	
(i) For the Subsidiary's Financial Year ended as in (2) above.	Rs.1.79 Lacs
(ii) For the Previous Financial Years of the Subsidiary since it became the Holding Company's subsidiary.	Rs.112.52 Lacs
(b) Dealt with in the Company's Account for the year ended 30 th June 2005 amounted to:	
(i) For the Subsidiary's Financial Year ended as in (2) above.	NIL
(ii) For the Previous Financial Years of the Subsidiary since it became the Holding Company's subsidiary.	NIL
5. a Changes in the interest of Kesar Enterprises Ltd. between the end of the Subsidiary's financial year and 30 th June 2005.	None
b. Material changes between the end of the financial year of Subsidiary and that of Kesar Enterprises Ltd., in respect of its Subsidiary's:	
(i) Fixed Assets	NIL
(ii) Investments	NIL
(iii) Money Lent	NIL
(iv) Money Borrowed	NIL

For and on behalf of the Board of Directors

H. R. KILACHAND
Chairman & Managing Director

D.J.SHAH
Sr.General Manager (Legal)
& Company Secretary

K. D. SHETH
Director

Mumbai 23rd September 2005

Amber Distilleries Limited

DIRECTORS' REPORT

To,
The Members,
Amber Distilleries Limited.

Gentlemen,

Your Directors present to you the Audited Statement of Accounts for the year ended 31st March 2005.

Financial Results

The working shows a net loss of Rs.1.79 lacs (previous year Rs. 14.25 lacs) after providing for finance charges of Rs.0.33 lacs (previous year Rs. 0.26 lacs) and depreciation of Rs.4.03 lacs (previous year Rs.4.49 lacs). The loss for the year has substantially decreased. In view of the loss incurred during the year, the Directors have not recommended payment of any dividend. The Company is continuously making efforts to improve its overall working and to be profitable.

Conservation of Energy and Technology Absorption

As the Company is primarily engaged in the bottling of IMFL, there is little scope for conservation of energy and hence the question of technology absorption does not arise. The Company has neither used nor earned any foreign exchange.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act 2000, the Directors state as under:

- i) that in preparation of the annual accounts for the financial year ended 31st March 2005, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March 2005 and of the loss for that year;
- iii) that the Directors 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; and

- iv) that the Directors have prepared the annual accounts for the financial year ended 31st March 2005, on a "going concern" basis.

Directors

Shri K. D. Sheth retires by rotation and being eligible, offers himself for reappointment.

Deposits

The Company has not accepted any deposits from the Public.

Personnel

The Company has not paid any remuneration attracting the provisions of the Companies (Particulars of Employees) Rules, 1975 read with Section 217(2A) of the Companies Act, 1956.

Auditors

The Auditors of the Company M/s. Ashok Jayesh & Associates, Chartered Accountant hold office until the conclusion of the ensuing Annual General Meeting and are recommended for reappointment. The Company has received a letter from the Auditors that their reappointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Acknowledgement

Your Directors express their grateful appreciation for the assistance and cooperation extended by the Government Authorities, Banks, Customers and Suppliers during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of all the Employees of the Company during the year under review.

For and on behalf of the Board of Directors
H. R. Kilachand

Mumbai, 24th August 2005.

Chairman

AUDITOR'S REPORT

To,
The Shareholders,
Amber Distilleries Ltd.

We have audited the attached Balance Sheet of **M/s. Amber Distilleries Ltd.** as at **31st March 2005** and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies' (Auditors Report) Order, 2003, issued by the Central government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the annexure referred to in paragraph above, we report that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of audit;
- b. In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of the books of the Company;
- c. The Balance Sheet and Profit & Loss A/c. dealt with by this report are in agreement with books of accounts of the Company;
- d. In our opinion, the Profit & loss A/c. and Balance Sheet comply with the requirements of the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
- e. According to the information and explanations given to us and on the basis of written representation received from the directors taken on record by the Board of Directors, none the Directors are disqualified as on March 31st, 2005 from being appointed as director in terms of section 274(1)(g) of the Companies Act, 1956;
- f. In our opinion and to the best of our information and according to the explanations given to us, the accounts read with and subject to notes thereon give the information required gives 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;
 - i) In the Case of Balance Sheet of state of Affairs of the company as at 31st March, 2005; And
 - ii) In the case of Profit & Loss A/c. of the Loss for the year ended on that date.

For Ashok Jayesh & Associates
Chartered Accountants

Jayesh D. Sangani
[Partner - M.No.36041]

Mumbai, '24th August'2005

Auditors' Report

1. In respect of its fixed assets;
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of its inventories:
 - a. As explained to us, inventories have been physically verified by the management at regular intervals during the year.
 - b. In our opinion and according to the information and explanations given to us, 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. The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. The company has not granted any loans, secured or unsecured during the year to companies, firms or parties covered in the Register maintained under Section 301. In respect of loans, secured or unsecured taken by the company from companies, firms, or other parties covered in the Registered maintained under Section 301 of the Companies Act, 1956, we state the following:
 - i) The Company had taken loans from one Company (Kesar Enterprises Ltd) , covered in the Register maintained under Section 301 of the Companies' Act,1956. Maximum amount outstanding during the year was Rs. 58,05,505/- and the year end balance was Rs. 58,05,505/- .
 - ii) In our opinion the rate of interest and other terms and conditions on which the loans has been taken are not, prima facie, prejudicial to the interest of the company.
4. In our opinion and according to the information and explanations given to us. there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.

Amber Distilleries Limited

5. In respect of transactions covered under Section 301 of the Companies Act, 1956;
 - a. In our opinion and according to the information and explanations given to us. the transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
 - b. In our opinion and according to the information and explanations given to us, there are no transactions of Purchase of goods & materials and sale of goods, materials & services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act. 1956 aggregating during the year to Rs. 5,00,000/- (Rupees Five Lacs only) or more in respect of any party.
6. The Company has not accepted any deposits from the public.
7. The company has separate Internal Audit Department which is commensurate with its size and nature of its business.
8. As informed to us, the Central Government has not prescribed maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956 in respect of certain manufacturing activities of the Company.
9. In respect of statutory dues:
 - a. According to the records of the Company the statutory dues including Provident Fund, Employees' State Insurance, Income-Tax, Sales-tax, Wealth Tax. Customs Duty, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no amounts payable in respect of the aforesaid dues were outstanding as at 31st March. 2005 for a period of more than six months from the date of becoming payable.
 - b. There are no dues of sales tax, income tax, custom duty, wealth tax, excise duty, cess, which have not been deposited on account of any dispute.
10. **The Company has accumulated losses in excess of 50% of its Net-worth. The Company has incurred cash loss during the previous year. However the Company has not incurred cash loss during the financial year covered by our audit.**
11. Based on our audit procedures and according to the information and explanation given to us, the Company has not taken any loan from financial institutions or banks. The company has not raised any funds by issue of debentures.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion the company is not a chit fund or a nidhi / mutual benefit fund /society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
14. The Company has not dealt in any transactions and contracts in respect of trading in securities and other investments.
15. Based on our examination of documents and records we are of the opinion that the Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. In our opinion, and according to the information and explanations given to us, the company has not taken any term loan. Hence the clause of applicability does not apply to the company have been applied for the purposes for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the Company has not utilized funds from any short term sources towards repayment of long-term borrowings and acquisition of fixed assets nor has utilized long term funds on short term investments.
18. During the year, 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.
19. The Company has no debenture capital, as such the question of creation of securities in respect of debentures does not apply.
20. The Company has not raised any money by way of public issue during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For Ashok Jayesh & Associates
Chartered Accountants

Jayesh D. Sangani
[Partner - M.No.36041]

Mumbai, 24th August'2005

Balance Sheet as at 31st March, 2005

	Sch. No.	As at 31.03.2004	
		Rs.	Rs.
Sources of Funds			
1. Shareholders' Funds:			
(a) Share Capital	1	14,000,000	14,000,000
(b) Reserves & Surplus	2	4,353,900	4,353,900
2. Loan Funds			
(a) Unsecured Loans	3	5,805,505	5,414,852
Total		<u>24,159,405</u>	<u>23,768,752</u>
Application of Funds			
1. Fixed Assets:	4		
(a) Gross Block		11,333,144	11,269,704
(b) Less: Depreciation		7,852,464	7,449,310
(c) Net Block		3,480,680	3,820,394
2. Investments	5	25,000	25,000
3. Current Assets, Loans and advances:			
(a) Inventories	6	4,036,901	4,772,771
(b) Sundry Debtors	7	4,516,827	4,893,554
(c) Cash and Bank Balances	8	1,440,893	1,766,032
(d) Loans and Advances	9	3,379,030	2,346,663
(e) Interest Accrued on Investment		3,262	2,423
		13,376,913	13,781,443
Less: Current Liabilities and Provisions:			
(a) Current Liabilities	10	8,853,861	9,896,421
(b) Provisions		526,900	440,200
		9,380,761	10,336,621
Net current assets		3,996,152	3,444,822
4. Deferred Tax Assets (Refer Note - 8)		4,815,198	5,226,821
5. Miscellaneous Expenditure: (to the extent not written off)			
Profit and Loss account		11,842,375	11,251,715
Total		<u>24,159,405</u>	<u>23,768,752</u>

Notes forming part of the Accounts

16

As per our Report of even date For and on behalf of the Board of Directors
For ASHOK JAYESH & ASSOCIATES Chartered Accountants
H. R. KILACHAND
Chairman

JAYESH D.SANGANI
Partner (M.No-36041)
Mumbai, 24th August'2005

K.D.SHETH
Director
Mumbai, 24th August'2005

Profit and Loss Account for the year ended 31st March,2005

	Sch. No.	Previous Year	
		Rs.	Rs.
1. Income :			
Sales		31,507,202	28,290,897
Other Income	11	543,487	449,692
Increase/Decrease in Stock	12	231,389	(157,687)
Total		<u>32,282,078</u>	<u>28,582,902</u>
2. Expenditure			
Raw Materials Consumed	13	12,806,998	6,516,459
Operating and Other expenses	14	19,218,160	23,016,161
Finance Charges	15	32,803	25,641
Depreciation		403,154	449,428
Total		<u>32,461,115</u>	<u>30,007,689</u>
3. Profit / (Loss) for the year		(179,037)	(1,424,787)
Add/(Less) : Provision for Current Tax		—	—
: Provision for Deferred Tax		411,623	(243,817)
Profit / (Loss) After Taxation		<u>(590,660)</u>	<u>(1,180,970)</u>
Add : Balance Brought Forward from the previous year		(11,251,715)	(10,070,745)
Balance carried forward to Balance Sheet		<u>(11,842,375)</u>	<u>(11,251,715)</u>

Notes forming part of the Accounts

16

As per our Report of even date For and on behalf of the Board of Directors
For ASHOK JAYESH & ASSOCIATES Chartered Accountants
H. R. KILACHAND
Chairman

JAYESH D.SANGANI
Partner (M.No-36041)
Mumbai, 24th August'2005

K.D.SHETH
Director
Mumbai, 24th August'2005

Amber Distilleries Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE : 1 SHARE CAPITAL

	As at 31.03.2004	
	Rs.	Rs.
Authorised :		
550000 Equity Shares of Rs.100/- each	55,000,000	55,000,000
Issued and Subscribed :		
140000 Equity Shares of Rs.100/- each fully paid up	14,000,000	14,000,000
Total	14,000,000	14,000,000

SCHEDULE : 2 RESERVES & SURPLUS

Share Premium	4,353,900	4,353,900
Total	4,353,900	4,353,900

SCHEDULE : 3 UNSECURED LOANS

Kesar Enterprises Limited (Holding Company)	5,805,505	5,414,852
Total	5,805,505	5,414,852

SCHEDULE : 5 INVESTMENTS (At Cost)

In Government Securities : (Unquoted) National Savings Certificates (With Excise & Sales Tax Authorities)	25,000	25,000
Total	25,000	25,000

SCHEDULE : 6 INVENTORIES

(As valued and certified by the Management)

Stock in Trade:		
Raw Materials	1,221,120	1,640,101
Finished Goods	1,543,193	1,311,804
Packing Materials	929,263	1,546,273
Stores & Spares	343,325	274,593
Total	4,036,901	4,772,771

SCHEDULE : 4 FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	At Cost as on 1-4-2004	Additions during the year	Sales/deductions and adjustments during the year	At Cost upto 31-3-2005	Upto 31-3-2004	For the Year	Written back on assets sold or discarded	Total Depreciation	As on 31-3-2005	As on 31-3-2004
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	97,345	—	—	97,345	—	—	—	—	97,345	97,345
Factory Building	5,706,058	—	—	5,706,058	3,188,871	251,720	—	3,440,591	2,265,467	2,517,187
Staff Quarters	696,082	—	—	696,082	241,845	22,712	—	264,557	431,525	454,237
Plant & Machinery	4,428,402	63,440	—	4,491,842	3,737,329	115,507	—	3,852,836	639,006	691,073
Furniture & Fixtures	285,017	—	—	285,017	244,398	7,350	—	251,748	33,269	40,619
Office Equipment	11,100	—	—	11,100	3,022	1,124	—	4,146	6,954	8,078
Computer	45,700	—	—	45,700	33,845	4,741	—	38,586	7,114	11,855
Total	11,269,704	63,440	—	11,333,144	7,449,310	403,154	—	7,852,464	3,480,680	3,820,394
Previous Year Total	11,311,304	—	41,600	11,269,704	7,014,427	449,428	14,545	7,449,310	3,820,394	—

SCHEDULE : 7 SUNDRY DEBTORS(Unsecured)

	As at 31.03.2004	
	Rs.	Rs.
Considered Good:		
Outstanding for a period exceeding six months	9,740	2,896
Others	4,507,087	4,890,658
Total	4,516,827	4,893,554

SCHEDULE : 8 CASH AND BANK BALANCES

Cash on hand	4,465	11,989
With Scheduled Banks in Current Accounts	1,436,428	1,754,043
Total	1,440,893	1,766,032

SCHEDULE : 9 LOANS AND ADVANCES (Unsecured, Considered Good)

Advances recoverable in cash or in kind or for value to be received	3,363,970	2,331,603
Deposits with Government Authorities and Others	15,060	15,060
Total	3,379,030	2,346,663

SCHEDULE : 10 CURRENT LIABILITIES AND PROVISIONS

(A) Current Liabilities :

Sundry Creditors	1,167,563	1,501,352
Other Liabilities	7,686,298	8,395,069
	8,853,861	9,896,421

(B) Provisions :

Provision for Gratuity	486,500	407,000
Provision for Leave Salary	40,400	33,200
Total	9,380,761	10,336,621

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rs.	Previous Year Rs.
SCHEDULE : 11		
OTHER INCOME		
Sale of Scrap/Stores	32,033	56,939
Miscellaneous Income	511,454	392,753
Total	543,487	449,692

SCHEDULE : 12		
INCREASE / DECREASE IN STOCK		
Closing Stock		
Finished Goods	1,543,193	1,311,804
Less: Opening Stock		
Finished Goods	1,311,804	1,469,491
Total	231,389	(157,687)

SCHEDULE : 13		
RAW MATERIALS CONSUMED		
Stock at commencement	1,640,101	1,229,350
Add: Purchases(Net of Sales Tax claims/set offs)	12,388,017	6,927,210
	14,028,118	8,156,560
Less: Stock at Close	1,221,120	1,640,101
Total	12,806,998	6,516,459

SCHEDULE : 14		
OPERATING AND OTHER EXPENSES		
Packing Materials Consumed	8,139,899	7,216,826
Stores & Spares Consumed	621,800	772,274
Power and Fuel	84,382	84,422
Repairs :		
Plant and Machinery	4,046	10,983
Others	7,514	407
Salaries, Wages & Bonus	1,933,804	1,825,838
Co's Contribution to PF & Other Funds	184,412	171,767
Employees' Welfare Expenses	34,083	34,405
Gratuity	106,154	38,000
Insurance	124,993	95,189
Licence Fees, Rates and Taxes	1,380,384	1,519,204
Freight on Sales	434,435	341,620
Sales Commission	-	7,200
Sales Promotions	1,284,910	-
Excise Duty	1,954,368	3,807,210
Telephone Charges	15,276	18,238
Printing & Stationery	8,137	16,405
Travelling & Conveyance	40,580	36,766
Legal & Professional Charges	16,291	14,100
Royalties/Marketing Expenses	2,493,701	6,555,086
Excise Supervision Charges	232,168	345,688
Miscellaneous Expenses	94,183	82,333
Auditors' Remuneration :		
Audit Fees	10,000	10,000
Tax Audit	10,000	10,000
Out of Pocket Expenses	2,640	2,200
Total	19,218,160	23,016,161

SCHEDULE : 15		
FINANCE CHARGES		
Interest -Others	233	256
Bank Charges	32,570	25,385
Total	32,803	25,641

SCHEDULE : 16

NOTES FORMING PART OF THE ACCOUNTS

1. Significant Accounting Policies

A: Accounting Concepts :

The Company follows the mercantile system of accounting and recognises Income & Expenditure on Accrual basis.

The Accounts are prepared on historical cost basis and as a going concern. Accounting policies not referred to otherwise, are consistent with generally accepted accounting principles.

B: Fixed Assets :

Fixed Assets except freehold land are stated at cost of acquisition or construction less accumulated depreciation.

C: Investments :

Investments are stated at cost.

D: Inventories :

Inventories are valued at lower of cost or market value.

E: Depreciation :

Depreciation has been charged as per the rates applicable as per provisions of the Companies Act 1956, on written down value.

F : Provision for Taxation :

Provision for current income tax is made on the basis of the assessable income under the Income Tax Act , 1961.

Deferred Income –Tax is recognized on timing differences, between taxable income and accounting income which originate in one period and are capable of reversal in one or more subsequent periods. The tax effects is calculated on the accumulated timing differences at the year end based on tax rates and laws, enacted or substantially enacted as of the balance sheet date.

2. Information regarding Licensed and Installed Capacity

Product	Licensed Capacity Bulk Litres	Installed Capacity Bulk Litres
Indian Made		
Foreign Liquor	5,00,000	2,50,000
	(5,00,000)	(2,50,000)

3. Information regarding Production,Sales and Stocks:

A. Production

Product	Quantity Cases
Indian Made	
Foreign Liquor	87,734
	(77,064)

B. Sales

Product	Quantity Cases	Value Rs.
Indian Made		
Foreign Liquor	86,745	3,15,07,202
	(77,118)	(2,82,90,897)

Amber Distilleries Limited

C. Stock

Product	Opening Stock		Closing Stock	
	Quantit Cases	Value Rs.	Quantity Cases	Value Rs.
Indian Made				
Foreign Liquor	3,894 (3,948)	13,11,804 (14,69,491)	4,883 (3,894)	15,43,193 (13,11,804)

4. Information regarding Raw Materials Consumed:

Raw Materials	Quantity	Value
	Bulk Litres	Rs.
Extra Neutral Alcohol/ Rectified Spirit	3,60,879 (3,09,518)	1,28,06,998 (65,16,459)
Total	3,60,879 (3,09,518)	1,28,06,998 (65,16,459)

5. Value and percentage of consumption of Raw Materials, Stores & Spares:

	Rupees	Percentage
Indigenous-		
Raw Materials	1,28,06,998 (65,16,459)	100 (100)
	6,21,800 (7,72,274)	100 (100)
Imported-		
Raw Materials	— (—)	— (—)
Stores & Spares	— (—)	— (—)
Total	134,28,798 (72,88,733)	100 (100)

6. Previous year figures have been regrouped and recasted wherever necessary.

7. Contingent Liabilities in respect of :

	Rupees	Previous Year Rupees
Claims against the Company not acknowledged as debts not provided for –	Nil	Nil

8. Deferred Tax :

The break up of net deferred tax liability is as under:

	As at 31.03.2005	As at 31.03.2004
Deferred Tax Liabilities	(Rupees)	(Rupees)
Difference between Book and Tax Depreciation	95,422	1,00,924
Total	95,422	1,00,924
Deferred Tax Asset		
Carried Forward Losses	48,81,437	53,11,908
Expenditure disallowed U/S.43B	29,183	15,837
Total	49,10,620	53,27,745
Deferred Tax Asset	48,15,198	52,26,821

No provision for current income tax has been made in the absence of taxable income.

9. Related party disclosure under Accounting Standard -18

Names of related parties and nature of related party relationships :

a. Holding Company : Kesar Enterprises Limited,

b. Key Management Personnel and relatives of such personnel:

Mr.H.R.Kilachand : Chairman

c. Enterprise over which Key Management Personnel and the relatives are able to exercise significant influence :

Indian Commercial Co. Pvt. Ltd

Disclosure of transactions between the Company and related parties and the status of outstanding balance as on 31st March, 2005

Nature of Transaction	Holding Company	Key Managerial personnel and Relatives	Enterprise over which influence exists	(Rupees)
Sale of Materials	Nil (18,176)	Nil (Nil)	Nil (Nil)	
Sale of Asset	Nil (28,138)	Nil (Nil)	Nil (Nil)	
Purchase of Assets/ Materials	80,973 (Nil)	Nil (Nil)	Nil (Nil)	
Royalty paid on IMFL Brands	9,680 (25,520)	Nil (Nil)	Nil (Nil)	
Unsecured Loans receivedFrom Holding Company	3,00,000 (1,49,300)	Nil (Nil)	Nil (Nil)	
Outstanding as on 31.03.2005	58,05,505 (54,14,852)	Nil (Nil)	Nil (Nil)	

10.Sundry Creditors include Rs. 2,95,261/- (Previous Year Rs.2,29,104/-) due to Small Scale and Ancillary Industrial Undertaking.

There are no amounts outstanding exceeding Rs. 1,00,000/- for more than 30 days as on 31.03.2005 due to any Small Scale and Ancillary Industrial Undertaking.

1. Name of Small Scale Industrial Undertaking is :-
Elgee Pet Industries, Silvassa.

This disclosure is on the basis of information available with the Company regarding the status of Suppliers as defined under the "Interest on delayed payments to Small Scale and Ancillary Industrial Undertaking Act,1993"

11.Additional information pursuant to the insertion of part IV of Schedule VI to the Companies Act, 1956:

a. Registration No.35072 State Code : 11

b. Balance Sheet Date : 31 03 2005
Date Month Year

c. Capital raised during the year (Amount in '000)

	Rs.
Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placements	Nil

d. Position of mobilisation and deployment of funds (Amounts in '000)

	Rs.
Total Liabilities	24,159
Total Assets	24,159
Sources of Funds	
Paid up Capital	14,000
Reserves & Surplus	4,354
Unsecured Loans	5,805
Application of Funds	
Net Fixed Assets	3,481
Investments	25
Net Current Assets	3,996
Accumulated Losses	16,657

e. Performance of the Company (Amount in '000)

	Rs.
Turnover	32,051
Total Expenditure	32,230
Loss before Tax	(179)
Loss after Tax	(179)
Earning per share	—
Dividend Rate (%)	—

f. Generic names of three products/services of Company (as per Monetary Terms)

Item Code No. (ITC Code)	2 2 0 8 3 0
Production Description	Indian Made Foreign Liquor
Item Code No. (ITC Code)	Not applicable as no products manufactured
Production Description	Not applicable as no products manufactured
Item Code No.(ITC Code)	Not applicable as no products manufactured
Production Description	Not applicable as no products manufactured

As per our Report of even date
For ASHOK JAYESH & ASSOCIATES
Chartered Accountants

JAYESH D. SANGANI
Partner M.No-36041

Mumbai,
Date: 24th August'2005

For and on behalf of the
Board of Directors

H. R. KILACHAND
Chairman

K.D. SHETH
Director

Mumbai,
Date : 24thAugust'2005

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

A CASHFLOW FROM OPERATING ACTIVITIES:

	(Rs. in lacs)	
	Current Year	Previous Year
NET PROFIT BEFORE TAX & EXTRAORDINARY ITEMS	(1.79)	(14.25)
Adjustments for :		
Depreciation	4.03	4.49
Finance Charges	0.33	0.26
Misc.Income	(0.32)	(0.57)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	2.25	(10.07)
Adjustments for :		
Inventories	7.36	(7.59)
Trade & other Receivables	3.77	1.94
Loans & advances	(10.33)	(5.93)
Trade Payables	(10.43)	34.53
Other Current Liabilities	0.87	0.43
CASH (USED IN)/GENERATED FROM OPERATIONS	(6.51)	13.31
Finance Charges Paid	(0.33)	(0.26)
CASH FLOW BEFORE EXTRAORDINARY ITEMS	(6.84)	13.05
Extraordinary items:	-	-
Prior Period Adjustments	-	-
NET CASH(USED IN)/FROM OPERATING ACTIVITIES	(6.84)	13.05

B CASHFLOW FROM INVESTING ACTIVITIES

Sale of Fixed Assets	-	0.27
Misc.income Received	0.32	0.57
Purchases of Fixed Assets	(0.64)	-
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(0.32)	0.84

C CASHFLOW FROM FINANCING ACTIVITIES

Increase in Short Term borrowings	3.91	1.40
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	3.91	1.40
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3.25)	15.29
OPENING BALANCE OF CASH AND CASH EQUIVALENT	17.66	2.37
CLOSING BALANCE OF CASH AND CASH EQUIVALENT	14.41	17.66



KESAR ENTERPRISES LTD.

Registered Office : Oriental House, 7, Jamshedji Tata Road, Churchgate, Mumbai 400 020.

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

I hereby record my presence at the 71st Annual General Meeting held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001 on Wednesday, the 26th October, 2005 at 3.30 p.m.

Client ID*	DP ID No.*
Folio No.	No. of Shares

Signature of Member or Proxy or Representative

* Applicable for investors holding shares in electronic form.



KESAR ENTERPRISES LTD.

Registered Office : Oriental House, 7, Jamshedji Tata Road, Churchgate, Mumbai 400 020.

FORM OF PROXY

(Under Section 176(6) of the Companies Act 1956)

I/We in the district of being a Member/Members of Kesar Enterprises Ltd. hereby appoint in the district of or failing him/her of in the district of or failing him/her as my/our your proxy to vote for me/us on my/our behalf at the 71st Annual General Meeting of the Company to be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001 on Wednesday, the 26th October, 2005 at 3.30 p.m. and at any adjournment thereof.

Client ID*	DP ID No.*
Folio No.	No. of Shares

Re. 1
Revenue
Stamp

(Signature)

Signed this day of October 2005.

NOTE : The Proxy in order to be effective should be duly filled up, stamped, signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the company.

BOOK-POST



If undelivered please return to :
KESAR ENTERPRISES LTD.
Oriental House,
7, Jamshedji Tata Road,
Churchgate, Mumbai 400 020.